

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

CORINTHIAN COLLEGES, INC., et al.

Debtors.

Chapter 11

Case No. 15-10952 (KJC)

Jointly Administered

Re: Docket No. 363

**DEBTORS' RESPONSE TO THE MOTION OF THE COMMITTEE OF
STUDENT CREDITORS FOR AN ORDER APPLYING THE AUTOMATIC STAY
PURSUANT TO 11 U.S.C. §§ 362(A) AND 105(A) AND GRANTING RELATED RELIEF**

Corinthian Colleges, Inc. (“**Corinthian**”) and its affiliated debtors and debtors in possession (collectively, the “**Debtors**”) hereby file this response (the “**Response**”) to the *Motion of the Committee of Student Creditors for an Order Applying the Automatic Stay Pursuant to 11 U.S.C. §§ 362(a) and 105(a) and Granting Related Relief* [Docket No. 363] (the “**Student Stay Motion**”), filed by the Official Committee of Student Creditors (the “**Student Committee**”). In support of this Response, the Debtors respectfully represent as follows:

PRELIMINARY STATEMENT

The Debtors’ primary concern has always been the well-being of their students and alumni. By the Student Stay Motion, the Student Committee is seeking to extend the automatic stay afforded to the Debtors under section 362 of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the “**Bankruptcy Code**”), to stay “all entities from any act to collect, assess or recover” any claim or funds provided pursuant to governmental or private student loan programs. There are a myriad of legal obstacles, jurisdictional, procedural and substantive, associated with seeking this type of relief with regards to non-debtor third parties. The Debtors leave the Student Committee to their burden of demonstrating that these legal obstacles have been satisfied.

The primary purpose of this Response, however, is to address the many baseless allegations contained in the Student Stay Motion (and characterized to the Court by the Student Committee as if they were established facts). In recent years, U.S. private sector post-secondary education providers, such as the Debtors, have come under intense legislative, regulatory, political and press scrutiny. This atmosphere resulted in a number of politically and ideologically driven investigations and other actions being taken by the Department of Education (the “**DOE**”) and other governmental entities, including the Majority Committee Staff Report of the United States Senate Committee on Health and Education, Labor and Pensions (the “**HELP Committee**”)¹ and the various state court complaints referenced in the Student Stay Motion. The Student Committee relies upon the unsupported allegations contained in these documents, while ignoring the evidence and positive outcomes generated by the Debtors’ schools and without any reference to the responsive documents filed by the Debtors in such proceedings.² Indeed, the Debtors operated well-regarded and accredited educational institutions.³ Hundreds of thousands of students have obtained well-earned degrees and diplomas since July of 2006 (the

¹ The Student Committee’s Request for Judicial Notice (the “**SC RJN**”) fails to note that the report was *not* adopted by the HELP Committee as a whole, was merely a Majority *Staff* Report, and that the Minority Staff noted in the Minority Committee Staff Views that the majority’s refusal to work in the HELP Committee’s bipartisan tradition and the biased conduct throughout the process raised substantial doubt about the accuracy of the information contained in the report titled, “For-Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success” (Majority Staff Report).” See <http://www.gpo.gov/fdsys/pkg/CPRT-112SPRT74931/pdf/CPRT-112SPRT74931.pdf> at page 793.

² Contemporaneously with the filing of this Response, the Debtors have filed the *Debtors’ Request for Judicial Notice of Documents Relevant to the Motion of the Committee of Student Creditors for an Order Applying the Automatic Stay Pursuant to 11 U.S.C. §§ 362(a) and 105(a) and Granting Related Relief* (the “**Debtors’ RJN**”), whereby the Debtors request that the Court take judicial notice of publically available documents relevant and responsive to the documents cited in the Student Stay Motion.

³ The Debtors’ schools were all institutionally accredited by an accredited agency recognized by the DOE, including (depending on the institution) one of the following agencies: the Western Association of Schools and Colleges, the Accrediting Council for Independent Colleges and Schools, the Accrediting Commission of Career Schools and Colleges or the Higher Learning Commission of the North Central Association. Additionally, many of the programs offered by the Debtors’ schools received programmatic accreditation.

earliest enrollment date noted in the student affidavits filed with the Student Stay Motion) and the Debtors believe -- backed by years of accreditor reviews and third-party audits -- that they have provided all of their students with a sound education that increased their skill set, employability and income potential. Moreover, the mere allegations asserted against the Debtors by the DOE and in the state court complaints are unfounded and have never been adjudicated as true by an independent tribunal, but have been asserted as fact by the Student Committee to justify the relief that they are seeking in the Student Stay Motion. Accordingly, the Debtors submit that it is necessary to respond to such allegations in this Response and to provide the Court with an accurate representation of the relevant facts.

FACTUAL REPONSE

I. Relevant Background⁴

1. The Debtors operated in a highly-regulated industry, subject to DOE, state departments of education, accreditors and other regulatory oversight. In the past several years, the Debtors, as well as the entire for-profit (i.e., tax-paying, as opposed to tax exempt or tax consuming) education sector, have faced increased scrutiny and review by various regulatory bodies including the DOE. In January 2014, the Debtors received a letter from the DOE (the “**January 2014 Letter**”) that requested extensive information from the Debtors regarding various educational statistics reported by the Debtors. The Debtors devoted significant resources to responding to such requests and ultimately delivered to the DOE, in electronic or paper format, the equivalent of more than 1.2 million pages of responsive data.

⁴ The facts set forth in this section are supported by the *Declaration of William J. Nolan in Support of Chapter 11 Petitions and First Day Motions* [Docket No. 10], which was filed with the Court on May 4, 2015.

2. On June 12, 2014, the Debtors received a second letter from the DOE (the “**June 12 Letter**”), in which the DOE made additional information requests, asked questions about the documents and data that the Debtors had provided to that date, and stated that certain information requested in the January 2014 Letter remained outstanding. In addition, and without notice, by the June 12 Letter, the DOE imposed the following: (i) a twenty-one (21) day delay in the ability to draw down further Title IV funds, (ii) monthly updates on student information and disclosures, (iii) disclosures relating to adverse regulatory, accreditor or business actions, and (iv) immediate notice of the Debtors’ intent to sell or close any location.

3. The imposition of a twenty-one (21) day delay in access to Title IV funds by the DOE created a significant liquidity crisis for the Debtors. Nearly ninety (90) percent of the Debtors’ revenues came from Title IV funds and the three (3) week delay in revenue at the end of the fiscal year and during the summer months of low enrollment created an immediate and significant reduction in otherwise expected cash receipts, totaling approximately \$100 million. The Debtors immediately began discussions with the DOE to regain access to Title IV funds to avoid an immediate closure of more than 100 schools with deleterious consequences on nearly 70,000 students. After ten days of negotiations, on June 22, 2014, Corinthian and the DOE entered into a memorandum of understanding (“**MOU**”) that provided for the immediate release of certain Title IV funds and established the framework for a transition plan to be memorialized in an operating agreement.

4. On July 8, 2014, the Debtors and the DOE entered into an operating agreement (the “**Operating Agreement**”), under which the Debtors agreed to “teach-out” twelve (12) schools (meaning that the schools continued to teach existing students to allow them to complete their education before the school closes, but no new students were admitted) and to

pursue the sale of its remaining schools. Under the Operating Agreement, among other things, the DOE permitted the Debtors to continue drawing Title IV funds (subject to weekly audit verification by an agreed upon third-party FSA audit firm) to operate the schools, and the Debtors agreed to produce certain additional documents within an agreed upon schedule, restrict Title IV funds from being used for certain prohibited expenditures, make refunds available to students in certain circumstances, and work with the DOE to establish a reserve for student refunds.

5. The Debtors conducted an extensive marketing and sales process for all of its schools. In May 2014, the Debtors engaged Barclays PLC (“**Barclays**”) to explore strategic options for the Debtors, including a potential sale of some or all of its schools and operations. Following entry into the Operating Agreement, the Debtors directed Barclays to conduct a sale process, during which a substantial number of financial and strategic potential buyers were contacted, and various interested parties conducted extensive diligence. The Debtors negotiated with a number of parties concerning the purchase of all of the schools or certain groups of schools operated by the Debtors.

6. On November 19, 2014, the Debtors entered into an asset purchase agreement with Zenith Education Group, Inc. (“**Zenith**”), a subsidiary of Education Credit Management Corp. Group, for the sale of 56 Everest and WyoTech schools (the “**Asset Purchase Agreement**”). Zenith also agreed to complete the teach-out process at twelve (12) additional schools and entered into subleases with the Debtors for those locations. Just before signing the definitive agreement, the Everest and WyoTech schools in California were excluded from the sale because the California Attorney General sought to impose significant economic and operational demands on Zenith as a buyer. Zenith found those demands unacceptable and

decided to exclude all of those California schools from the Asset Purchase Agreement. The sale to Zenith closed in early February of 2015. As part of the sale, approximately 40,000 students were able to continue their studies and thousands of employees retained their jobs.

7. Following the sale of non-California Everest and WyoTech campuses to Zenith, the Debtors continued to operate the Heald schools, all Everest and WyoTech schools in California, and fourteen (14) schools in Canada (through a non-Debtor Canadian subsidiary). The Debtors pursued sale options and teach-out options for the remaining schools. Several parties engaged in diligence, and the Debtors entered into negotiations with at least three (3) potential buyers for the Heald schools, and held discussions with several other parties regarding the teach-out of the remaining thirteen (13) Everest and WyoTech schools in California.

8. The signing of a definitive transaction agreement to sell Heald was to occur on April 15, 2015. Ultimately, however, no agreement was reached for the sale or teach-out of any of the remaining schools because, on April 14, 2015, the DOE issued an intent-to-fine letter (the “**DOE Intent to Fine Letter**”) seeking to impose a \$30 million fine against the Heald schools and prohibiting Heald from enrolling new students.⁵ Despite multiple efforts by the Debtors and their advisors, as well as potential purchasers of Heald, to negotiate terms with the DOE for the sale of Heald, the DOE sought to impose significant financial and operational conditions on both Corinthian and the potential buyers that were not acceptable to the buyers or capable of performance, such as payment to the DOE of an amount equal to twice the sale price offered by the leading bidder and a demand that the buyer reduce Heald tuition by twenty (20) percent. When sale efforts for the remaining schools ceased to be viable, both for the Heald schools and remaining Everest and WyoTech schools in California, the Debtors pursued teach-

⁵ A copy of the DOE Intent to Fine Letter is attached hereto as Exhibit A.

out arrangements with third parties in an effort to permit students to complete their education with minimal disruption. Ultimately, however, the DOE continued to insist that unaffiliated teach-out partners assume undefined liabilities of the Debtors in order to conduct teach-outs at the affected campuses on economically viable terms. Without the DOE's cooperation, no teach-out partners were willing to proceed.

9. In the absence of a sale or teach-out options, the Debtors had no ability to continue operating in light of their cash position and cash forecast. Moreover, the DOE mandated that the Debtors post a significant letter of credit by May 17, 2015 to maintain eligibility for Title IV funds. After thoroughly considering their alternatives, the Debtors commenced the wind-down of operations. On Sunday, April 26, 2015, the Debtors announced the closure of their remaining twenty-nine (29) schools effective Monday, April 27, 2015, and provided notice to the relevant regulatory bodies.

II. Response to Allegations Relied Upon by Student Committee

10. As noted above, the Student Committee presents as fact numerous allegations contained in various politically charged reports and documents that have never been proved or adjudicated. Indeed, the Debtors have vigorously (and publicly) contested each of these allegations and, despite the number and magnitude of the allegations extending over a period of many years, no government agency or plaintiff has established them before a neutral third party or in a court of law. Given the Student Committee's reliance on such allegations and failure to acknowledge the Debtors' positions in response thereto, the Debtors submit that it is necessary and appropriate to address a number of the allegations in this Response.

A. The Student Committee's Reliance on the Documents Cited in Their Request for Judicial Notice is Inappropriate and Misleading.

i. The DOE Intent to Fine Letter

11. The Student Committee focuses primarily on the allegations regarding student placement rates contained in the DOE Intent to Fine Letter, various reports and attorney general complaints. Pursuant to the DOE Intent to Fine Letter, the DOE cites unsubstantiated “findings” that the Debtors failed to disclose the methodology of its placement rate calculations to current and former students in the Heald College system (sprinkling in anecdotes from a mere five (5) nameless students in largely unidentified programs and campuses). By attacking the disclosed methodology of every program, rather than the specific placements and rates themselves, the DOE sweepingly found that all 946 program disclosures at the Heald Colleges over a five (5) year period were misleading.⁶ Accordingly, had the DOE determined that the Debtors had adequately disclosed the methodology used for calculating placement rates, no finding of misleading figures would have been leveled. Thus, the finding contained in the DOE Intent to Fine Letter does not support the position that the Debtors were intentionally falsifying placement rates or that the education provided was somehow deficient.

12. Moreover, the finding of inadequate disclosure contained in the DOE Intent to Fine Letter (regarding the methodology for calculating placement rates) is flawed in many respects.⁷ For example:

(a) The DOE has struggled to interpret its own placement disclosure requirements under its gainful employment regulations. Notwithstanding enactment of the regulations nearly four (4) years ago, there is still no standard for the calculation of placement rates and the

⁶ Notably, no finding regarding the quality of education was ever made against the Debtors' institutions (by the DOE or other governmental agencies).

⁷ See Debtors' Request for Hearing and Motion to Dismiss Intended Fine of Heald College, dated May 5, 2015, a copy of which is attached hereto as Exhibit B.

DOE's guidance on complying with the regulations is continuing to evolve. Up until 2013, the DOE allowed schools to use their own format for publishing placement rate disclosures. But for the 2013 disclosures, schools were required to use a template created by the DOE. This template limited the explanation of the placement calculation methodology to 100 characters, significantly lower than the 455 characters that the Debtors previously used to describe their methodology;

(b) A review of many disclosures by other institutions using the DOE's placement template reveals almost identical descriptions under the category of "who's included in the calculation of this rate?" The fact that many other institutions have interpreted and implemented this disclosure in the same way as the Debtors reflects the inherent limitations of the template and the lack of any clear guidance on whether the disclosures were required to include certain aspects of the calculation methodology;

(c) The DOE is critical of the use of student employment obtained prior to graduation, although no specifics are provided regarding these supposed violations. A broad review of the placement rate data revealed that high percentages of placements occurring before graduation were made in the student's last term or involved promotional opportunities for the graduate with the same employer by whom the student was employed prior to or during enrollment; and

(d) The DOE is critical of the timing of reporting placement statistics to its programmatic accreditor. This assertion completely ignores the guidance of the Medical Assisting Education Review Board (the "**MAERB**:"), which makes accreditation recommendations for the status of accreditation of medical assisting programs, on how to report placement statistics. MAERB directs schools to include placements *up until the time the report is submitted*. See MAERB's 2014 Annual Report Instructions at p. 3 (www.maerb.org/Portals/0/2014ARFInstructions1.15.15.pdf). Thus, the relevant disclosures should cover graduates that were placed as of the report's submission.

13. Moreover, the issuance of the DOE Intent to Fine Letter and imposition of the \$30 million fine thereunder failed to comport with principles of fundamental fairness and due process, particularly due to the absence of any specificity in the DOE Intent to Fine Letter. As recently as March of this year, the Office of Hearing Appeals, which provides an independent forum for the resolution of disputes involving the DOE and recipients of federal education funds,

held that the DOE must identify the conduct underlying *each* fine, as well as justify the amount of each fine *separately*, emphasizing that, “since a fine is a punishment that results in the deprivation of a protected property interest, the concept of due process must be adhered to or else the action would violate the United States Constitution.” *In the Matter of Lincoln University*, Docket No. 23-68-SF (March 16, 2015) at 5. Here, not a single program is identified, nor is a single student. Levying a \$30 million fine in the absence of an opportunity to rebut the allegations, in the complete void of specifics justifying the fine, is the epitome of a due process violation. Even the timing of the DOE Intent to Fine Letter demonstrates that it was issued prematurely and without adequate notice to the Debtors, because the DOE was nearly two years into an incomplete program review; a review that had not issued a preliminary determination nor afforded the Debtors an opportunity to respond, much less a final program review or audit determination. In fact, many of the allegations relate to easily rebuttable allegations (where they can be identified) had the DOE simply asked for clarifying information and documentation.

14. In fact, a 2014 third-party audit conducted at the request of the Accrediting Commission of Career Schools and Colleges (the “ACCSC”), which accredited dozens of campuses, verified the quality of the Debtors’ placements and the accuracy of disclosures and reporting made by the Debtors. The independent third-party audit of graduate employment records from the 2014 ACCSC Annual Report was conducted by Collegiate Admission and Retention Solutions (“CARS”), an approved auditor.⁸ CARS selected and examined 5,254 graduate placement records, verifying as placed 85.57 percent of the sample (including “verified” and “placed but different”), claiming as invalid 3.62 percent and unable to

⁸ Copies of the CARS Report are available upon request, but not attached to this Response given its voluminous nature.

contact 10.81 percent⁹ of the sample. These figures strongly suggest a high degree of integrity in the Debtors' record keeping and placement reporting.

15. In short, the Student Stay Motion is premised on the false assertion that the Debtors have been adjudicated to have falsified placement rates to induce students to pay overpriced fees for an education. In reality, at best they have shown that the DOE disagreed with the Debtors' disclosure practice regarding the placement rate calculation methodology.

ii. *The July 2012 HELP Committee Report*

16. In 2010, Senator Tom Harkin, the then-chairman of the HELP Committee, initiated an investigation of thirty (30) tax-paying education institutions. The investigation commenced with an undercover report being issued by the Government Accounting Office (the "GAO") that was subsequently materially revised, with every revision being made in favor of the schools. Further, as revealed in an internal GAO email authored by a member of the team that issued the report, political pressure from "congressional staffers" tainted the error-riddled report, the HELP Committee placed the GAO "under extreme short time frames" and demanded "to include details" that caused the GAO to go "back and stretch whatever [it] could find to come up with a number for the testimony. This was done in haste and is where most of our corrections came from." Jonathan Strong, *The Daily Caller*, "Political Pressure Tainted Error-Ridden GAO Report," May 17, 2011; *see also* Debtors' Response to HELP Committee Staff Report, a copy of which is attached hereto as Exhibit D.

⁹ The "unable to contact" rate is remarkably low in light of the structure of the audit. A long history of academic literature on the topic of survey responses, including by current Federal Reserve Chairwoman Janet Yellen, identifies characteristics such as recency, frequency, incentives, resources, demographics and duration of the audit period as factoring significantly into response rates. In short, a response rate of nearly 90 percent is uncharacteristically high considering the parameters of the audit. *See* Debtors' Response to CARS' Report, a copy of which is attached hereto as Exhibit C.

17. The GAO investigation culminated in a flawed staff committee report, dated July 30, 2012 (the “**HELP Committee Staff Report**”), that was critical of the for-profit sector of higher education. While the Debtors’ response is attached hereto as Exhibit D, the Debtors have highlighted some of the defects with the HELP Committee Staff Report below:

(a) The HELP Committee Staff Report fails to adequately explain that the substantial percentage of federal education funds received by the Debtors was the direct result of their largely lower-income student body, which appropriately is the focus of federal assistance. The Debtors prided themselves in serving the “non-traditional students” with “modest financial resources”. Historically, among the Debtors’ students, about sixty-four (64) percent were women, and fifty-two (52) percent were minorities. Many of the Debtors’ students were single parents who were working and raising families while taking classes. The average age of Debtors’ students was thirty (30) years old; and

(b) The HELP Committee Staff Report’s criticism of the financial aid students directed to the Debtors is misplaced. The Debtors gave all students a path to improve their financial situation. Due to the students’ limited means, however, about eight-five (85) percent of the Debtors’ students had annual family incomes of less than \$45,000. Further, more than ninety (90) percent of the Debtors’ students received federal educational aid, compared to approximately seventy (70) percent of private non-profit students and forty-nine (49) percent of public students (who benefit from direct aid to public schools, which serves as indirect federal tuition assistance that maintains tuition levels below the amounts that private institutions must charge). The Debtors are proud of the demographic that they served.

iii. *The Attorney General Lawsuits*

18. The Student Committee also cites to the complaints in the various attorney general lawsuits commenced against the Debtors (the “**Attorney General Lawsuits**”), but omits any reference to the Debtors’ answers filed in response thereto. The Attorney General Lawsuits are iterations of a similar refrain against career-oriented for-profit institutions. For the Court’s convenience, the answers filed by the Debtors in the California, Massachusetts, and Wisconsin suits are included in the Debtors’ RJN. *See* Debtors’ RJN, Exhibits 1, 2 and 3. As highlighted in

each of the answers, the allegations against the Debtors (which are repeated in the Student Stay Motion) are out-of-context, misleading and simply inaccurate.

19. The allegations contained in the Attorney General Lawsuits lack specificity and evidence of materiality, causation and damages. For example, the allegations are replete with supposed anecdotes, but fail to identify students by name, program or year such that the Debtors could investigate and respond to the specific allegations. Assuming *arguendo* that the supposed anecdotes are true, the governmental agencies fail to state a material difference in the student placement percentages or whether the alleged inaccuracies caused any damages to students who graduated and obtained employment in their intended field of study.

20. The Debtors' answers to each of the Attorney General Complaints highlight the Debtors' responses to the allegations contained therein.¹⁰ While the Debtors will not belabor the Court with a point-by-point response to each of the allegations contained in the complaints, the following verbatim excerpt from the Debtors' Answer in the 2013 California lawsuit is illustrative of the Debtors' position with respect to the allegations contained in all of the Attorney General Complaints:

“The Government’s false allegations and the aspersions cast on the School’s relationship with its students are offensive and demeaning—to the School and its employees; to its students who are striving for a career and a better life; and to the employers who hire its thousands of qualified graduates. The Government’s Complaint also implies that state regulators and accreditation agencies have failed

¹⁰ Among the documents relied upon by the Student Committee is the 2007 complaint and stipulated judgment between the Debtors the California Attorney General. The investigation and related suit focused on differing interpretations of California’s Maxine Waters Act formula for calculating student placement rates. In fact, the former Bureau Chief of the California Bureau of Private Post-Secondary Vocational Educational who was charged with enforcing the Maxine Waters Act, testified that “as a regulator attempting to enforce the completion and placement standards in the Act convinced me that it is nearly impossible for schools and the staff in the Bureau to interpret, explain and apply them consistently. During my time as Bureau Chief, staff personnel adopted differing interpretations of the various provisions of the Act to such an extent that the Bureau had, I believe, nearly as many interpretations as staff people.” Declaration of Michael Abbott, ¶ 6 (attached hereto as Exhibit E). Although the Debtors disputed the allegations contained in the complaint, they entered into the stipulated judgment in an effort to resolve the matter and bring finality to the dispute.

to provide proper oversight of the School. This is ill informed and demonstrably untrue. The Complaint suggests that the School's employees go to work every day for the express purpose of preying on students. This is insulting and preposterous. The School and its employees are passionately dedicated to providing quality career education, to helping students overcome academic and personal obstacles that stand in the way of completing their programs, and to helping graduates find meaningful work in their fields of study. Most of the School's students have not succeeded in a traditional academic environment; over 40% have tried community college before enrolling at one of its institutions. The School's students have few people in their lives who can provide the support and encouragement they need to achieve a career goal. The School and its employees are committed to honoring the trust that its students place in its institutions. Its campus teams work in concert to teach, mentor, counsel, coach and cheerlead their students to success. Across the School's network of campuses, it has one career services employee for every 108 students; in a typical community college, that ratio is one counselor for approximately 1,000 students, including all types of counseling, from personal to academics to career. The School's substantial and on-going investment in placement services has helped tens of thousands of graduates find work in their fields, even during the recent deep and prolonged recession. As a career institution, the School is subject to a complex, oft-times conflicting, and extensive web of federal and state regulation, along with myriad accreditation, licensing and reporting requirements. The School has been, and continues to be an industry leader in its commitment to integrity and to the implementation and enhancement of processes and training to promote compliance. The School has devoted substantial resources to not only meet these regulatory requirements, but to exceed them. Rather than acknowledging and commending the School's aspirational goals, the Government is seeking to punish the School. The Complaint is replete with selective, misleading and out-of-context quotations that attempt to turn the School's commitment to high standards against it. In California, the School has cooperated extensively with the Government. It has done so openly and because it has confidence in its internal controls and its people. The School provided several hundred thousand pages of documents, voice recordings and answers to new questions posed on an almost-weekly basis by the Government. The School repeatedly offered to present information and explanation on any issues about which the Government had concerns. Without accepting those offers and without any notice, the Government filed this Complaint—a document built on a foundation of misquoted, deceptively excerpted, and—at best—misunderstood materials. For example, the Government cites a slide from a presentation in paragraph 51(e) for the proposition that there was a “placement file error rate of 53.6 percent to 70.6 percent.” In reality, that slide does not even include the word “placement,” and the internal review in question did not reflect a single suspect, let alone false placement, contrary to the Government's insinuation. The School will address and expose those mischaracterizations in due course before this Court in a process that begins with this Verified Answer.”

Debtors' RJN, Exhibit 3, pp. 2-3; *see also* Debtors' RJN, Exhibits 1 and 2 (similar responses contained in the Debtors' Massachusetts and Wisconsin Answers).

B. The Quality of Education Provided by the Debtors Has Not Been Challenged in the Investigations, Reports or Attorney General Lawsuits.

21. Notwithstanding the assertions contained in the Student Stay Motion, the quality of the education provided by the Debtors has never been attacked in the various investigations, reports or Attorney General Lawsuits. As recently as last week, Albert Gray, the president and CEO of the Accrediting Council for Independent Colleges and Schools (the "ACICS"), which accredited fifty-five (55) of the Debtors' campus locations, defended the quality of the Debtors' education in testifying before Congress. Indeed, Mr. Gray testified at the hearing that "Corinthian collapsed because of financial pressure ... the accreditation process was not the issue." Allie Grassgreen, *PoliticoPro*, "Senators Grill Accreditor Over Handling of Corinthian Colleges", June 17, 2015, a copy of which is attached hereto as Exhibit F. Significantly, Mr. Gray also testified that while ACICS monitored or sanctioned some of the Debtors' campuses after internal reviews, it never found any evidence of students being lied to or defrauded (notwithstanding the myriad of state and federal investigations suggesting otherwise).

C. The Student Committee's Focus on Tuition Rates is Misleading and Provides an Incomplete Comparison between Private and Public Institutions.

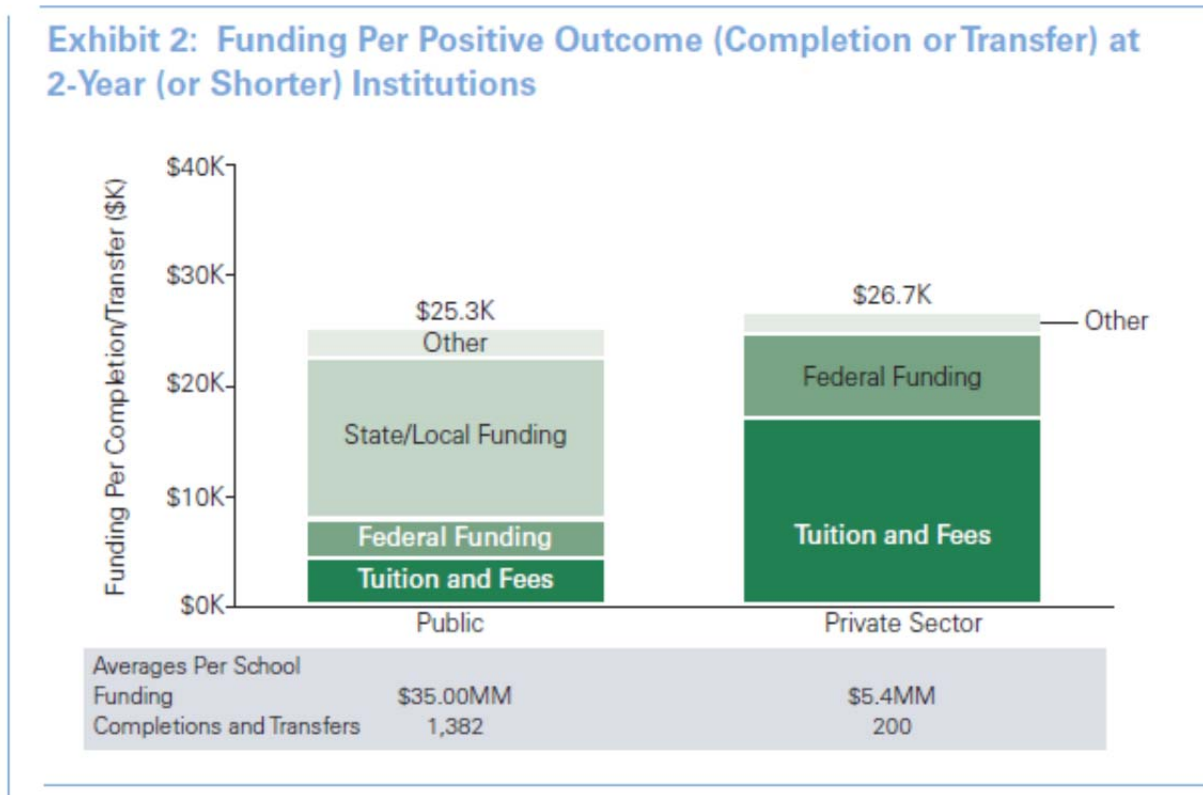
22. A common misconception, perpetuated in the Student Stay Motion, is that private sector educational institutions are more expensive to operate than their public sector counterparts, implying that the profit-motive causes harm to private sector students. As stated in the Student Stay Motion: "The cost of education at the Debtors' schools was much higher than similar not-for-profit schools," proceeding to make comparisons between the tuition at the Debtors' institutions and the tuition at public schools. Student Stay Motion, ¶¶ 12-13.

23. As a well-recognized study, examining three significant government databases,¹¹ has found: “Another important measure of educational outcomes is the actual expense to society associated with generating a graduate. Private sector schools receive nearly all of their revenues through tuition, a tuition that is frequently both higher than public schools and supported by federal grants and guaranteed student loans. This leads to the common misconception that private sector operators are more expensive to operate than their public sector counterparts. The available data, however, indicates otherwise, as public schools receive the majority of their income directly through state and local funding.” Parthenon Group, *Private Sector Post-Secondary Schools—Do They Deliver Value to Students and Society?*, Feb. 2010 at 3.¹²

¹¹ The three databases included: (i) the NCES Beginning Post-Secondary Survey, a longitudinal study of 19,000 students from public and private schools who were followed for five (5) years recording hundreds of variables, including employment status and income outcomes; (ii) the Integrated Post-Secondary Education Data System, a survey of ~7,000 institutions reporting on completion, revenues and expenditures; and (iii) the National Post-Secondary Student Aid Study, a collection of student aid information for 114,000 students at 1,600 institutions plus data from the 2007-2008 school year.

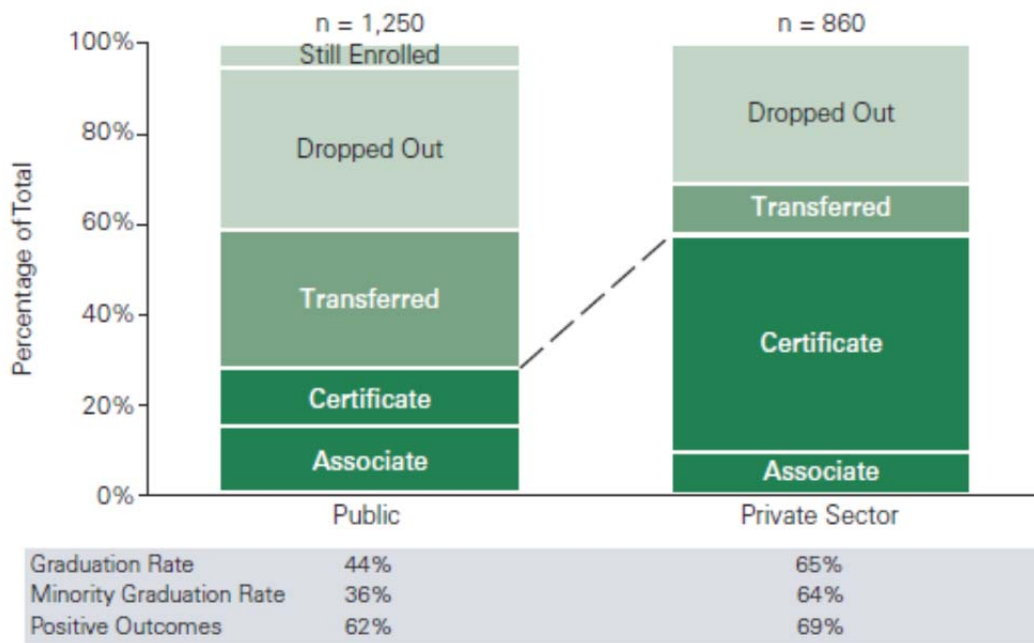
¹² A copy of the Parthenon Group study is attached hereto as Exhibit G.

24. The Parthenon Group's study results are graphically represented as follows:



25. Thus, while the public sector charges less in *tuition* due to the direct public subsidies it receives, the *total cost* per positive student outcome (completion or transfer) is practically equivalent to private institutions. This is significant in many ways, including the value that the Debtors' schools provided in light of the better outcomes, particularly for non-traditional students and driven by structural and curriculum differences, when compared to the public sector. Indeed, the Parthenon Group's study also included the follow graph comparing student outcomes (five (5) years post-enrollment) at two (2) year or shorter private and public institutions:

Exhibit 1: Student Outcomes 5 Years Post-Enrollment (2-Year and Shorter Institutions)



As reflected in the chart, private institutions (such as Corinthian) have higher overall and minority graduation rates and overall positive outcome percentages. In short, the criticism regarding cost in the Student Stay Motion, with its intended implications, is not only misplaced, it is demonstrably incorrect.

CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court take into consideration the Debtors' factual representations contained herein in considering the Student Stay Motion.

Dated: June 24, 2015
Wilmington, Delaware

/s/ Mark D Collins
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EXHIBIT A



April 14, 2015

Jack D. Massimino
President/Chief Executive Officer
Corinthian Colleges, Inc.
6 Hutton Circle Drive, Suite 400
Santa Ana, CA 92707

UPS Tracking #
1ZA879640192788623

RE: Notice of Intent to Fine Heald College, OPE-ID: 00723400

Dear Mr. Massimino:

This is to inform you that the United States Department of Education (Department) intends to fine Heald College, San Francisco, California, \$29,665,000 based upon the violations set forth in this letter. Heald College participates in the federal student financial assistance programs authorized under Title IV of the Higher Education Act of 1965 (HEA), as amended, 20 U.S.C. §§ 1070 *et seq.* and 42 U.S.C. §§ 2751 *et seq.* (Title IV, HEA programs). The Department is taking this fine action pursuant to 20 U.S.C. § 1094(c)(1)(F) and 34 C.F.R. § 668.84.

This fine action is based upon the results of the Department's analysis of documentation submitted by Heald College's owner, Corinthian Colleges, Inc. (CCI), to the Department regarding Heald College's placement rates, and upon the findings of a program review conducted by the San Francisco-Seattle School Participation Division at Heald College's Stockton location and Heald College's Salinas location. As discussed in detail below, the Department's findings demonstrate that Heald College failed to meet the fiduciary standard of conduct by misrepresenting its placement rates to current and prospective students and to its accreditors, and by failing to comply with federal regulations requiring the complete and accurate disclosure of its placement rates. Therefore, as described below, I have determined that due to the serious violations committed by Heald College, a fine in the amount of \$29,665,000 is warranted.

HEALD COLLEGE FAILED TO ADHERE TO A FIDUCIARY STANDARD OF CONDUCT

On January 4, 2010, CCI purchased the Heald chain of schools (Heald), which then participated in the Title IV, HEA programs as individual entities with their own OPE-ID numbers.¹ The Heald chain comprised Heald Concord (OPE-ID 02187500); Heald Fresno (OPE-ID 00809300); Heald Hayward (OPE-ID 00853200), with additional location Heald Modesto (OPE-ID 00853202); Heald Milpitas (San Jose) (OPE-ID 02593200); Heald Rancho Cordova (OPE-ID

¹ The OPE-ID is the institution's Office of Postsecondary Education Identification Number. This is an eight-digit number assigned to an institution upon application to participate in Federal Student Aid programs. It is used throughout multiple systems to identify a school entity (the first six digits) and its individual locations (the last two digits).

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00747700); Heald Roseville (OPE-ID 02593100); Heald Salinas (OPE-ID 03034000); Heald San Francisco (OPE-ID 00723400), with additional locations Heald Honolulu (OPE-ID 00723401) and Heald Portland (OPE-ID 00723402); and Heald Stockton (OPE-ID 02593300). Heald and the Department executed temporary Program Participation Agreements (PPAs) for each of the Heald schools, effective February 22, 2010, and upon the Department's approval of CCI's application for ownership, executed provisional PPAs for each of these schools, effective May 4, 2010. On June 24, 2013, Heald and the Department executed Heald College's current provisional PPA, which merged the participating Heald schools into one participating entity under OPE-ID 00723400. Hereinafter in this letter, "Heald College" and "Heald" are used interchangeably to refer to the Heald chain of schools before and after the Department's approval of the merger.

By entering into a PPA with the Department, an institution and its officers accept the responsibility to act as fiduciaries in the administration of the Title IV programs. As fiduciaries, an institution and its officers are subject to the highest standard of care and diligence in administering the Title IV, HEA programs. 34 C.F.R. §§ 668.82(a) and (b). In order to meet its fiduciary responsibilities to the Department, an institution must comply with all Title IV statutory and regulatory requirements. 34 C.F.R. § 668.16(a). As described below, Heald College and its officers have failed to adhere to a fiduciary standard of conduct with regard to the calculation and disclosure of its job placement rates.

HEALD COLLEGE FAILED TO COMPLY WITH THE REGULATIONS GOVERNING DISCLOSURE OF ITS JOB PLACEMENT RATES

Effective July 1, 2010, institutions participating in the Title IV, HEA programs are required to make available to enrolled or prospective students, through appropriate publications, mailings, or electronic media, information concerning the placement of, and types of employment obtained by, graduates of the institution's degree or certificate programs. 34 C.F.R. § 668.41(d)(5). The information can be gathered from the institution's placement rate for any program, if it calculated such a rate, or other relevant sources. 34 C.F.R. § 668.41(d)(5)(i). The institution is required to identify the source of the information, as well as any timeframes and methodology associated with it. 34 C.F.R. § 668.41(d)(5)(ii). An institution is required to disclose any placement rate it calculates. 34 C.F.R. § 668.41(d)(5)(iii). An institution may satisfy the requirement to disclose the information required under 34 C.F.R. § 668.41(d) to enrolled students by posting the information on an internet website or an intranet website that is reasonably accessible to the individuals to whom the information must be disclosed; and to prospective students by posting the information on an internet website. 34 C.F.R. §§ 668.41(b)(1) and (2). Note that this regulatory provision applies to all types of institutions, not simply those which offer "gainful employment" programs.

All of Heald College's programs are gainful employment programs subject to the provisions of 34 C.F.R. § 668.6(b). Beginning July 1, 2011, an institution that offers an educational program that prepares students for gainful employment in a recognized occupation, and that is required by its accrediting agency or State to calculate a placement rate on a program basis, must disclose the rate and identify the accrediting agency or State agency under whose requirements the rate was

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calculated. 34 C.F.R. § 668.6(b). The institution must include the information required under 34 C.F.R. § 668.6(b)(1) in promotional materials it makes available to prospective students, post this information on its website, prominently provide the information in a simple and meaningful manner on the home page of its program website, and provide a prominent and direct link on any other Web page containing general, academic, or admissions information about the program to the single Web page that contains all the required information. 34 C.F.R. § 668.6(b)(2).

By entering into a PPA with the Department, an institution agrees, among other things, that:

In the case of an institution that advertises job placement rates as a means of attracting students to enroll in the institution, it will make available to prospective students, at or before the time that those students apply for enrollment...the most recent available data concerning employment statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements; and...relevant State licensing requirements of the State in which the institution is located for any job for which an educational program offered by the institution is designed to prepare those prospective students.

34 C.F.R. § 668.14(b)(10).

On January 23, 2014, the Department sent a letter to CCI in which the Department requested that CCI provide a copy of school performance disclosure documents for every CCI location, including Heald College institutions, for the calendar years 2010, 2011, 2012, and, when available, 2013. The Department also asked that CCI provide the evidence upon which CCI relied to derive each of the placement rates cited in the disclosures, including a list of all students either placed or omitted from the placement calculation due to any type of waiver, and the academic, employment, and/or waiver information specified by the Department. The Department provided CCI 30 days to submit the required documentation and information, and sent reminder letters to CCI on April 11, 2014, April 22, 2014, May 13, 2014, June 12, 2014, July 23, 2014, and August 25, 2014.

Eventually, in its responses to the Department's requests, CCI assured the Department that CCI and its institutions "take pains to track and accurately report job placements." Letter to Martina Fernandez-Rosario and Gayle Palumbo, p. 2 (Apr. 15, 2014). CCI stated that, because many of its institutions' institutional and programmatic accreditors required annual reporting of placement outcomes in order to measure the school's or program's outcomes against a benchmark, CCI and its institutions had developed a robust process to confirm, and re-verify, the accuracy of the reported placement results. CCI represented that it went to great lengths in an effort to ensure that its internal and external reporting of placement statistics was accurate and reliable. *Id.* See also Letter to Robin Minor, p. 2 (February 11, 2014), Letter to Charles Engstrom (Feb. 1, 2013). Despite CCI's representations, the Department has found that CCI and Heald College failed to fully and accurately disclose its placement rates and the methodology used to calculate them in its school performance disclosure documents.

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1. Heald College's placement rate disclosures omitted essential and material information concerning the methodology Heald used to calculate the rates.

In response to the Department's requests for Heald College's school performance disclosure documents and backup documentation, CCI provided, for each of its institutions, documents entitled "2010 Annual Placement Disclosure," documents entitled "Program Disclosures," carrying an effective date of July 1, 2011, and documents entitled "Program Disclosures," carrying a publication date of July 1, 2012.

In the documents entitled "2010 Annual Placement Disclosure," which had neither a publication date nor an effective date, each Heald institution disclosed that, because it was accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges (WASC-Jr), and WASC-Jr had no prescribed placement rate methodology, it was the institution that determined the formula used to calculate its placement statistics. These disclosures each stated that the placement rates reported therein were the placement statistics for the most recent complete calendar year, and that Heald outcomes are calculated by calendar year, tracking graduate cohorts from January 1-December 31. These disclosures also stated that employment is calculated by taking the total number of graduates placed in the field and dividing this number by the total number of graduates less the number of graduates deferred for employment because of continuing education, military, health, incarceration, moving outside of the U.S., non-citizenship, or death.

Heald College also provided for each institution documents entitled "Program Disclosure," carrying an effective date of July 1, 2011, which affirmatively stated that the program disclosures contained therein were provided pursuant to federal regulations, effective July 1, 2011. These Program Disclosures also stated, in a footnote entitled "Institutional Accreditor," that, because WASC-Jr. had no prescribed methodology for calculating placement outcomes, the methodology used was at Heald's discretion. In each case, the Program Disclosure stated that placement rates were calculated as follows: "Heald College placement rate is calculated by taking the total graduates placed in the field, divided by the total number of graduates, minus graduates deferred for employment because of continuing education, military, health, incarceration, moving outside of the U.S., ineligibility to work in the U.S., or death. Time Frame: the cohort used are those graduates of a calendar year. Employment statuses are recorded up until June 30th of the following year." These Program Disclosures also stated that "Placement Rate NA" meant that there was no data to disclose because the program was too new or the placement rate was not required to be calculated.

Heald College further provided for each institution Program Disclosures with a publication date of July 1, 2012, which similarly stated that the program disclosures contained therein were being provided pursuant to federal law. These Program Disclosures also represented, in a footnote entitled "Institutional Accreditor," that because WASC-Jr. had no placement rate methodology, Heald College determined the placement rates. These Program Disclosures stated that Heald determined its placement rates by taking the total graduates placed in the field, divided by the total number of graduates, minus graduates deferred for employment because of continuing education, military, health, incarceration, moving outside of the U.S., ineligibility to work in the

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U.S., or death; that the cohort used was the graduates of a calendar year; and that the employment statuses were recorded up until June 30th of the following year.

The Department has determined that in late 2013, Heald College switched to a web-based placement disclosure format. The web-based disclosures Heald College posted on its website contained the following language: "The job placement rate for students who completed this program in 2012-2013 is [] %." The placement rate disclosures also contained a link that stated "For further information about this job placement rate, [click here](#)." The link led to the following box:

Job Placement Rate Information

Name of the accrediting agency this placement rate is calculated for:
 WASC JR

Who is included in the calculation of this rate?
 Graduates through 6/30/13 placed in field divided by the total number of graduates

What types of jobs were these students placed in?
 The job placement rate includes completers hired for: Jobs within the field
 Positions that recent completers were hired for include: Project Manager (in Heald San Francisco Market)

When were the former students employed?
 Schools can place graduates until June 30th for graduates of the preceding calendar year

How were completers tracked?
 Confirmation of graduate employment is obtained from the employer and/or graduate via attestation

After review of Heald's program disclosure documents and backup documentation, the Department has determined that Heald omitted from its school performance disclosure documents essential and material information concerning the timeframe and methodology used to determine its placement rates. Even more serious, Heald did not adhere to the methodology that it did set forth in those disclosures.

a. Heald College failed to disclose in its 2013/2014 web-based disclosures that its placement rates excluded students it classified as having deferred employment.

The Department has determined that Heald's 2013/2014 web-based placement disclosures² failed to disclose that students whom the institution deemed to have deferred employment were excluded from the placement rate calculations. This information was material, and Heald College's omission of it was misleading, because the supporting documentation provided by Heald disclosed that Heald in fact classified high percentages of its graduates as having deferred employment. The Department has determined that Heald represented with regard to many of its programs that it placed 100% of its graduates in jobs, when in fact many of the graduates decided to continue their education, or been determined by Heald to be unavailable for employment prior to the end of the tracking period for one reason or another. For instance, Heald Portland's disclosure for the Criminal Justice AA program stated that the placement rate was 100%. And

² Heald College updated its web-based placement disclosures in early 2014.

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yet 58% of the graduates for that program were unavailable for employment. The Department has concluded that Heald's failure to disclose the exclusion of students determined to have deferred employment in its 2013/2014 web-based disclosures was particularly egregious because Heald disclosed this aspect of its methodology in its prior placement rate disclosure documents and thus clearly understood how to properly describe its methodology.

b. Heald College falsely represented in its 2013/2014 web-based disclosures that its placement rates were supported by attestations.

In its 2013/2014 web-based disclosures, Heald College stated in answer to the question, "How were completers tracked," that "confirmation of graduate employed is obtained from the employer and/or graduate via attestation." The Department's review of Heald College's backup documentation, however, revealed that this was not the case. In many instances, the only documentation Heald produced to substantiate the graduate's employment consisted of a standardized Heald form, HC-CSV-120, with a section entitled "Employment Validation and Verification Contact Info," which was signed only by Heald College Career Services personnel and did not document any attestation by the employer or the student. In other instances, the only documentation provided was a screen shot from Heald's CampusVue system purportedly representing that the student had been placed.

c. Heald College failed in all of its placement rate disclosures to identify with specificity the cohort whose results were being reported.

In the 2013/2014 web-based placement disclosures, Heald stated that the report covered "...students who completed the program in 2012-2013," then indicated in its answer to the question, "Who is included in the calculation of this rate?," that the cohort consisted of "Graduates through 6/30/13 placed in field." And then, in answer to the question, "When were the students employed," stated, "Schools can place graduates until June 30th for graduates of the preceding calendar year." It is not possible to discern from these statements the beginning and ending dates of the cohort of Heald graduates whose results were being tracked and reported in the disclosure.

The same is true with regard to Heald College's July 1, 2011 and July 1, 2012 Program Disclosures, and its 2010 Annual Placement Disclosure. In particular, although the timeframe specified is a calendar year, none of these disclosure indicates *which* calendar year's graduates were being covered in the disclosure. This is in contrast to the descriptions in the July 1, 2011 and July 1, 2012 Program Disclosures regarding the programmatic, as opposed to institutional, placement rates disclosed in those documents. For example, the July 1, 2012 Program Disclosure specified, with respect to the placement rates calculated for the Commission on Accreditation of Allied Health Education Programs (CAAHEP)/Medical Assisting Education Review Board (MAERB), a timeframe of July 1, 2009 through June 30, 2010, and the July 1, 2011 Program Disclosure specified, with respect to the placement rate calculated for the Commission on Dental Accreditation (CODA), that the most recent statistics covered those students who were scheduled to complete their programs in 2009.

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- d. Heald College failed in all of its placement disclosures to state that it counted as placed graduates whose employment began prior to graduation, and in some cases even prior to the graduate's attendance at Heald.**

The Department has determined that in all of its placement disclosures, Heald failed to disclose that it counted as placed graduates who had obtained their jobs prior to graduation from the school, and in some cases, graduates who had obtained their jobs prior to the date they commenced their studies at Heald. With respect to the 2013/2014 web-based disclosures, Heald referred only to "Graduates...placed in the field" and "completers hired for jobs within the field." Similarly, in the July 1, 2011 and July 1, 2012 Program Disclosures, Heald referred only to the "percentage of graduates securing employment" and the "total graduates placed in the field."

The fact that Heald counted graduates who had obtained their employment prior to graduation as having been "placed" by the institution in its placement rates is material, and omission of this information is therefore misleading, because it is an indication that a Heald credential may not have been necessary in order for the graduate to secure the employment used to categorize the individual as having obtained employment in the field. The Department thus considers these placement rates to be false and misleading statements. *See* 34 C.F.R. § 668.71(c) (definition of "misrepresentation").

Of additional concern, however, is that the Department's review of Heald's backup documentation disclosed that while some previously-employed Heald graduates signed documents indicating that they were waiving placement assistance because they were already working in the field, other previously-employed graduates' placement documents simply reflected verification by Heald Career Service personnel of the student's employment, with no indication that the students had waived placement services and were content with their prior job. Of even more concern is that follow-up interviews conducted with some of the previously-employed graduates revealed that although Heald staff made cursory notations on the employment validation forms to support their conclusion that the graduates were employed in the field, the graduates' jobs were not related to their field of study, nor had the students received promotions or increased responsibilities or otherwise progressed in those jobs because of their Heald education.

The number of graduates who obtained the jobs used to characterize them as placed prior to graduation was considerable and therefore also material to the placement rates. The Department's analysis of Heald's backup documentation revealed that, according to CCI's own data for 2012 graduates, over one-third (33.8%) of the graduates reported to have been "placed in field" started their jobs prior to January 1, 2012, and over one-quarter (25.5%) started their jobs prior to January 1, 2011.

- e. Heald paid temporary agencies to hire its graduates to work at unsustainable temporary jobs at its own campuses and counted these graduates as placed.**

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Follow-up interviews conducted with Heald graduates in order to determine the accuracy of Heald's reported placement rates and supporting documentation revealed that in some instances, Heald paid temporary agencies to hire Heald graduates and place them at temporary jobs at Heald locations, in order to allow Heald to falsely and misleadingly count these graduates as placed in their field of study in its placement rate disclosures. Heald failed to disclose this information when it published its placement rates, and the Department considers this to be a misleading statement that has the likelihood or tendency to deceive. 34 C.F.R. § 668.71(c) (definition of "misrepresentation").

In particular, the Department determined that during 2011, Heald paid agencies named Aerotek and Ultimate Staffing to place ten graduates from Heald's IT-Network Systems Administration (IT-NSA) programs in brief, temporary positions at its Fresno campus. Heald then counted these graduates as "placed in field" in its placement statistics. These ten graduates represented 35% of the total 28 graduates of the IT-NSA program at Fresno that Heald represented were placed in field. When interviewed, one of these graduates confirmed that he was employed for just two days moving computers, organizing cables, and replacing network cables, and another graduate confirmed that Aerotek employed him for less than two weeks.

f. Heald College counted placements that were clearly out of the student's field, as in-field placements in its placement statistics.

Although Heald claimed in all of its placement rate disclosures that the students reported as placed were employed in their field of study, the Department has determined through student interviews that in fact, Heald routinely and misleadingly characterized out-of-field placements jobs as in-field placements. Examples of this are as follows:

Heald Honolulu classified a 2011 graduate of an Accounting program as employed in the field based upon a food service job at Taco Bell, where she started working in June 2006. The graduate stated that her job was to provide food service to customers, that she had not received a promotion or pay increase as a result of her Heald degree, and that the position was not in her field of study. Yet Heald counted her as placed in her field of study, based upon the employment validation form signed by Career Services personnel. Heald provided no documents substantiating that the student had waived placement services based upon her employment at Taco Bell.

Heald Hayward counted a 2011 Business Administration graduate as placed in the field based upon a retail grocery position at Safeway, which the graduate stated was not in his field of study, and Heald substantiated the in-field placement by stating that the graduate's program's major skills were a component of his "primary job function or used at least half the time" by listing, as program skills, among other things, "providing customer service and problem-solving skills, knowledge of store's product and be approachable (sic)." The back-up documentation included an internal email chain, in which Heald Career Services staff forwarded information concerning the graduate's employment obtained through the work number to Heald's Corporate Director of Career

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Services, who replied: "Not sure if this will fly. See what he does as a Courtesy Clerk – Money Transactions, etc..."

Heald Hayward counted another 2011 Business Administration graduate as placed in the field based upon a seasonal clerk position she obtained in Macy's Shipping and Receiving Department during November 2010, which the student stated ended prior to her graduation. The student also stated that she requested job placement assistance from Heald in order to find a job in her field of study, but was unsuccessful, and that Heald stopped returning her calls for assistance. Heald's backup documentation regarding the placement consisted of an employment validation signed by Heald Career Services personnel that justified the in-field placement by stating she "uses business software, apply accounting concepts balancing till and ringing up purchases, collecting money, merchandise the products and upsale (sic)."

2. Heald Stockton misrepresented the job placement rates for its medical assistant program to its programmatic accreditor

Heald Stockton advertised in its catalogs that "The Medical Assisting program is accredited by the Commission on Accreditation of Allied Health Education Programs (CAAHEP) upon the recommendation of the Medical Assisting Education Review Board (MAERB)."³ MAERB requires that approved programs report annual placement rates of its medical assisting graduates. A program review conducted by the Department at Heald Stockton from July 29, 2013 to August 2, 2013 revealed that in its 2012 Annual Report to MAERB, which Heald Stockton submitted to MAERB on November 21, 2012, Heald Stockton reported that, of the 359 medical assisting students who graduated between January 1, 2007 through December 31, 2011, 281 students were placed, resulting in a 78.27% placement rate, which exceeded the MAERB minimum placement rate of 60%.

Upon review of documentation obtained during the program review, however, the Department determined that as an initial matter, Heald Stockton's backup data reflected only 209 placements rather than 281. In addition, of those 209 placements, (1) Heald Stockton reported as placed at least 23 students who had in fact completed Heald Stockton's diploma program in Medical Assisting, which is not accredited by MAERB, rather than the 98 credit-hour Associates in Applied Science (AAS) program; (2) Heald Stockton counted 13 students twice, and counted one student three times;⁴ (3) although Heald Stockton's 2012 Annual Report was only to include those students placed between January 1, 2007 and December 31, 2011, Heald Stockton claimed 70 placements that occurred after December 31, 2011; and, (4) according to notations made on the backup data, Heald Stockton reported four students as placed when in fact they had waived placement. The Department's recalculation revealed that the correct number of placements was only 109, rather than 281, and that the correct number of graduates was 333, rather than 359.

³ This accreditation entitles an individual to take the state medical assisting test without first obtaining two years of medical assisting experience.

⁴ A number of these students were either in the unaccredited program or were placed after the end of the cohort period (December 31, 2011). The net duplications represent over-reporting of three placements.

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The correct placement rate was thus only 32.7%, far below MAERB threshold of 60%. Heald Stockton therefore misrepresented the 2012 programmatic placement rate for its Medical Assisting program to MAERB.

3. CCI and Heald's backup documentation did not support its claimed placement rates

The failure of Heald's backup documentation to support the placement rates that Heald disclosed for its educational programs was not limited to the programmatic placement rate that Heald Stockton reported to the MAERB. The Department's review of the backup documentation revealed numerous instances wherein, even if all of the placements were accepted as bona fide in-field placements, the data still do not support the placement rates that Heald calculated and disseminated. The placement data were missing key fields, most notably the level of the student's program of study, and contained numerous duplicates. Enclosure A contains examples of placement rates that were not supported by Heald's backup data, and the actual rate that Heald's backup data did support.

Title IV regulations define misrepresentation as, among other things, any false, erroneous or misleading statement an eligible institution makes directly or indirectly to a student, prospective student or any member of the public, or to an accrediting agency, to a State agency, or to the Secretary. A misleading statement includes any statement that has the likelihood or tendency to deceive. 34 C.F.R. § 668.71(c) (definition of "misrepresentation"). A substantial misrepresentation is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment. 34 C.F.R. § 668.71(c) (definition of "substantial misrepresentation.") An eligible institution is deemed to have engaged in substantial misrepresentation when the institution makes a substantial misrepresentation about the nature of its educational program, its financial charges, or the employability of its graduates. 34 C.F.R. § 668.71(b).

The Department has determined that Heald's inaccurate or incomplete placement rate disclosures were misleading or false; that they overstated the employment prospects of graduates of Heald's programs; and that current and prospective graduates of Heald could reasonably have been expected to rely to their detriment upon the information in Heald's placement rate disclosures. Therefore, the Department has determined that the statements in these disclosures constituted substantial misrepresentations by Heald.

Congress enacted the statutory consumer information requirements, and misrepresentation provisions, in order to ensure that institutions fully disclose information needed by students to inform their decision whether to attend an institution, and to hold institutions accountable for false information that they provide. Heald College's substantial misrepresentations concerning its placement rates evidence a blatant disregard for the statutes and regulations governing the Title IV, HEA programs.

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As of October 2, 2012,⁵ the Title IV, HEA program regulations permit a fine of up to \$35,000 for each violation of any provision of Title IV, or of any regulation or agreement implementing that Title. 34 C.F.R. § 668.84(a). In determining the amount of a fine, the Department considers both the gravity of the offense and the size of the institution. 34 C.F.R. § 668.92. Pursuant to the Secretary's decision in *In the Matter of Bnai Arugath Habosem*, Dkt. No. 92-131-ST (Aug. 24, 1993), the size of an institution is based on whether an institution is above or below the median funding levels for the Title IV, HEA programs in which it participates. Thus, if the institution's funding levels for the Title IV, HEA programs in which it participates is below the median amount for institutions participating in those programs, the institution will be considered small.

In the case of Heald College, the latest year for which complete funding data is available is the 2013-14 award year. According to Department records, students enrolled at Heald College received \$66,944,957 in Federal Pell Grant funds, \$139,462,899 in Direct Loan program funds, and \$3,713,508 in campus-based program funds during the 2013-14 award year. The latest information available to the Department indicates that the median funding level for schools participating in the Federal Pell Grant program for the 2013-14 award year is \$1,571,915; for institutions participating in the Direct Loan programs, it is \$2,964,093, and for institutions participating in the campus-based programs, it is \$266,597. Accordingly, Heald College is not a small institution, because its Federal Pell Grant, Direct Loan, and campus-based funding levels exceed the median funding levels.

The violations involved in this case are severe, and the potential harm to the government and to students is also severe. After considering the gravity of the violations and the size of Heald College, I have set the fine amount as follows:

For Heald's dissemination of program disclosure documents that did not meet regulatory requirements concerning disclosure of the institution's methodology, and which disclosed rates that were false or misleading, as set forth in this letter, I have set the fine amount at \$27,500 for each of the 464 placement rates discussed in this letter that were disclosed in the documents disseminated prior to October 2, 2012, and \$35,000 for each of the 482 placement rates discussed in this letter that were disseminated after October 2, 2012, totaling \$29,630,000.⁶ The Department requires that institutions fully disclose the method used to calculate its placement rates, count only bona fide placements in its placement rates, and accurately calculate those rates.

For Heald Stockton's misrepresentation of its job placement rates for its medical assistant program to its programmatic accreditor, I have set the fine amount at \$35,000. Heald's failure to provide MAERB with accurate placement data deprived MAERB of important information required to evaluate the success of Heald Stockton's program.

⁵ See 77 Fed. Reg. 60047 (2012), <http://www.gpo.gov/fdsys/pkg/FR-2012-10-02/pdf012-24248.pdf>. The amount was previously \$27,500.

⁶ The amounts per violation represent the maximum amounts allowed under the HEA for the time periods in question. See n.5 and accompanying text, *supra*.

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The fine of \$29,665,000 will be imposed on May 5, 2015, unless by that date the Department receives a request for a hearing or written material indicating why the fine should not be imposed. Heald College may submit both a written request for a hearing and written material indicating why the fine should not be imposed. If Heald College chooses to request a hearing or to submit written material, you must write to me, via overnight mail, at:

Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC/SEC
830 First Street, NE
Room 84F2
Washington, DC 20002-8019

If Heald College files a timely request for a hearing, the case will be referred to the Office of Hearings and Appeals, which is a separate entity within the Department. That office will arrange for assignment of Heald College's case to an official who will conduct a hearing. Heald College is entitled to be represented by counsel at the hearing and otherwise during the proceedings. If Heald College does not request a hearing, but submits written material instead, I shall consider that material and notify Heald College of the amount of the fine, if any, that will be imposed.

Any request for a hearing or written material that Heald College submits must be received by May 5, 2015; otherwise, the \$29,665,000 fine will be imposed on that date.

Heald College has applied for recertification to continue to participate 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). Heald College's PPA will continue to operate on a month-to-month basis while the Department considers the application for recertification in light of the findings addressed in this letter, along with pending program reviews. *See* 34 C.F.R. § 668.13(b)(2).

If Heald has any questions or desires additional explanation of Heald College's rights with respect to this action, please contact Kathleen Hochhalter of my staff at 303/844-4520.

Sincerely,



Robin S. Minor
Acting Director
Administrative Actions and Appeals Service Group

Enclosure

cc: Dr. Mary Ellen Petrisko, President, WASC Senior College and University Commission, via
mepetrisko@wascsenior.org

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Bobbi Lum-Mew, Program Administrator, Hawaii Post-Secondary Education Authorization Program, via Bobbi.Lum-Mew@dcca.hawaii.gov
Juan Báez-Arévalo, Director of Private Post-secondary Education, Office of Degree Authorization, Oregon Office of Student Access and Completion, via
juan.baez-arevalo@ode.state.or.us
Department of Defense, via osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil
Department of Veteran Affairs, via INCOMING.VBAVACO@va.gov
Consumer Financial Protection Bureau, via CFPB_ENF_Students@cfpb.gov

Enclosure A
PLACEMENT RATES BASED ON CCI'S DATA

Grad. Year	Campus Name	Program	No. of Grads	Reported Campus Placement Rate	Adjusted Placement Rate from CCI's Data
2010	Heald San Jose	Medical Insurance Billing and Coding (AA Degree)	60	100%	64%
2010	Heald Concord	Business Administration - Software Technologies Emphasis (AA Degree)	3	100%	66%
2010	Heald Concord	Medical Insurance Billing and Coding (AA Degree)	33	100%	66%
2010	Heald Concord	Office Skills (Certificate)	8	100%	71%
2010	Heald Hayward	Medical Insurance Billing and Coding (AA Degree)	43	100%	75%
2010	Heald San Francisco	Office Skills (Certificate)	7	67%	50%
2010	Heald Portland	Medical Assisting (AA Degree)	61	73%	57%
2010	Heald Rancho Cordova	Office Skills (Certificate)	5	75%	60%
2011	Heald Hayward	Medical Office Administration (AA Degree)	48	100%	38%
2011	Heald Hayward	Paralegal (AA Degree)	33	100%	63%
2011	Heald Rancho Cordova	Medical Office Administration (AA Degree)	38	100%	70%
2011	Heald Concord	Pharmacy Technology (AA Degree)	22	100%	73%
2011	Heald San Francisco	Medical Office Administration (AA Degree)	29	100%	75%
2011	Heald Rancho Cordova	Medical Insurance Billing and Coding (AA Degree)	27	100%	78%
2011	Heald Concord	IT Network Systems Administration (AA Degree)	11	100%	80%
2011	Heald Hayward	IT Network Systems Administration (AA Degree)	34	100%	82%
2011	Heald Fresno	Office Skills (Certificate)	4	67%	50%
2011	Heald San Jose	Paralegal (AA Degree)	26	100%	83%

EXHIBIT B



David E. Mills
+1 202 776 2865
dmills@cooley.com

VIA HAND DELIVERY

May 5, 2015

Robin S. Minor
Acting Director
Administrative Actions and Appeals Service Group
Federal Student Ad / PC / SEC
U.S. Department of Education
830 First Street, NE
Room 84F2
Washington, DC 20002-8019

RE: Notice of Intent to Fine Heald College, OPE-ID 00723400

Dear Ms. Minor:

Enclosed is a written request for a hearing and written material indicating why the fine described in your letter dated April 14, 2015, should not be imposed.

Please do not hesitate to contact me if you have any questions regarding this filing.

Very truly yours,

A handwritten signature in black ink, appearing to read "David Mills", with a stylized flourish at the end.

David E. Mills

Enclosures

cc: Jack D. Massimino (via Federal Express)

UNITED STATES DEPARTMENT OF EDUCATION
ADMINISTRATIVE ACTIONS AND APPEALS SERVICE GROUP
WASHINGTON, D.C.

**REQUEST FOR HEARING AND MOTION TO DISMISS
INTENDED FINE OF HEALD COLLEGE (OPE-ID 00723400)**

David E. Mills
dmills@cooley.com
COOLEY LLP
1299 Pennsylvania Avenue, N.W.
Suite 700
Washington, D.C. 20004

Dated: May 5, 2015

Counsel for Heald College

Heald College (“Heald” or “the School”) respectfully submits this Request for Hearing and Motion to Dismiss pursuant to 34 C.F.R. Part 668, Subpart G, including Section 668.84. On April 14, 2015, the Office of Federal Student Aid (“FSA”) of the U.S. Department of Education (“ED” or “Department”) issued a Notice of Intent to Fine Heald College, OPE-ID: 00723400 (“Notice of Intent”), seeking to impose a fine of \$29,665,000 for an alleged 946 instances of incomplete, inaccurate or misrepresented placement rate disclosures. The School vigorously denies the allegations on both substantive and procedural grounds.

INTRODUCTION

The Notice of Intent is fundamentally flawed and should be dismissed under both well-established precedent of ED’s Office of Hearing Appeals (“OHA”) and fundamental principles of due process. In its inexplicable haste to publicly impose severe punishment against Heald, the Department has failed to provide fair notice of the grounds for nearly a thousand separate violations, let alone the basis for its sweeping conclusion that the conduct allegedly underlying each violation—even conduct that the Department appears to admit may amount to mere inadvertence—justifies the imposition of maximum penalties across the board. Rather than examine each circumstance separately, as the law requires, the Department indiscriminately lumps together broad categories of allegedly erroneous disclosures and seeks the imposition of the maximum allowable fine in each instance to reach its headline-grabbing sum of nearly \$30 million in penalties. These procedural deficiencies are exacerbated by, or perhaps cover for, the serious substantive errors with respect to the few allegations that can be tested.

The Department’s rash action fails to comport with principles of fundamental fairness and due process. As recently as one month ago, the OHA enforced this very principle, holding that the Department not only must identify the *conduct* underlying *each* fine but also must justify

the *amount* of each fine *separately*, emphasizing that, “since a fine is a punishment that results in the deprivation of a protected property interest, the concept of due process must be adhered to or else the action would violate the United States Constitution.” *In the Matter of Lincoln University*, Docket No. 23-68-SF (March 16, 2015) at 5.

Even the timing of the Notice of Intent demonstrates that it was issued prematurely and without adequate thought and notice to Heald. The Department was nearly two years into an incomplete program review, a review that had neither issued a preliminary determination nor afforded the School an opportunity to respond—much less resulted in a final program review or audit determination. In fact, many of the allegations relate to easily rebuttable allegations (at least where they can be identified) had the Department simply asked for clarifying information and documentation. Nonetheless, the Department abruptly and very publicly¹ issued the Notice of Intent. Rather than proceed with a final program review or audit determination based on not only the Department’s review but also an institution’s response, the Department has rushed forward and publicly issued the Notice of Intent to Fine.

The Notice of Intent suffers several fatal flaws, including its use of vague categories and anonymous examples of alleged misconduct, rather than setting forth the specific facts underlying each alleged violation, and including its failure to explain the basis for a maximum fine for each occurrence.² The Department’s failure to provide adequate notice of the facts and

¹ The public disclosure of the Notice of Intent further undermines its objectivity and fundamental fairness while underlining the procedural deficiencies, not only because it reads more like a press release but also because the decision appears to be conclusively predetermined.

² Even from the general descriptions and citations provided in the Notice of Intent, it is clear that the Department is erroneously taking issue with disclosures of calculations that were voluntarily prepared and are not subject to any required formula by an external agency. As a result, Heald was free to develop its own formula and had no agency definitions of what constitutes an acceptable “job,” no limitation on permitted exclusions due to continuing education (which were disclosed), and no rule that prevented the inclusion of certain graduates already employed. In an attempt to provide clear information without any regulatory guidance from agencies that regulated the institution, Heald relied on elements that were very similar to those used by other accrediting agencies

basis for each fine makes it impossible for Heald to respond adequately to the allegations and imposition of a nearly \$30 million aggregate penalty. Accordingly, Heald requests that it receive a notification that the fine will not be imposed, pursuant to 34 C.F.R. § 668.84(b)(2)(i).

FACTS RELEVANT TO MOTION TO DISMISS

According to the Notice of Intent, in a letter dated January 23, 2014, the Department first sought massive amounts of information from Corinthian regarding placement rate percentages and grade and attendance changes at all Corinthian campuses over a four-year period. Corinthian, at significant expense including the hiring of special employees to work solely on the production full time, provided documentation over the course of several months, including a large volume of documents concerning annual placement disclosures, specific student information, newly generated information demanded by the Department, web-based publications and many categories of placement rates and information concerning the calculation of various rates. It is apparent from the Notice that the Department has not reviewed all of this material.

In June and July of 2013, the Department made site visits to the Heald Stockton and Heald Salinas campuses as part of program reviews. Nearly two years later, the Department has not completed either program review, however, and has not issued even a draft program review report for review and comment by Heald.

Notwithstanding that the Department has not completed the program review, has not made any final program review determination, and has not even completed its review of the placement information provided to the Department, on April 14, 2015, the Department published its Notice of Intent to Fine, stating that it had decided that "Heald College and its officers have

recognized by the Secretary. Notably, factors and conditions the Department cites as questionable here are currently required by recognized accrediting agencies and the hundreds of colleges and universities they accredit to calculate placement rates. Heald reserves the right to contest these erroneous determinations once (and if) Heald receives proper notice of the conduct underlying each alleged violation and the basis for the determination in each instance that the conduct justified a maximum penalty.

failed to adhere to a fiduciary standard of conduct with regard to the calculation and disclosure of job placement rates.” The Department relies on the obligation, imposed on institutions participating in Title IV, HEA programs as of July 1, 2010, “to make available to enrolled or prospective students, through appropriate publications, mailings, or electronic media, information concerning the placement of, and types of employment obtained by, graduates of the institution’s degree or certificate programs. 34 C.F.R. § 668.41(d)(5).”

In the Notice of Intent, the Department alleges that Heald failed to comply with its placement disclosure obligations in three ways: (1) allegedly omitting “essential and material information concerning the methodology” used to calculate the rates; (2) purportedly misrepresenting job placement rates for a single medical assistant program to its programmatic accreditor (MAERB); and (3) allegedly having backup documentation that did not entirely support the placement rates. The School disputes each of these allegations.

The Department alleges that Heald committed 946 separate violations of its fiduciary duty by making various erroneous placement rate disclosures, but it does not identify each instance of violation. Instead, to support this allegation, the Department provides just over 6 pages of general descriptions and anecdotal examples of allegedly omitted details and alleged misrepresentations. Repeatedly using phrases like, “For instance,” “In many instances,” “In other instances,” and “Examples of these are...,” the Department attempts to create the appearance of widespread misconduct and inattention to detail.

Notably, the gravamen of the Department’s allegation is that placement rates were “false and inflated” because the *disclosure* “failed to inform students that waivers are excluded from the placement rate calculation.” This allegation founders in light of guidance provided by the

Department itself, the plain language of the disclosure, and the limitations imposed on the disclosure by the Department's own mandated template.³

The Department also includes Enclosure A, which, according to the Department, "contains examples of placement rates that were not supported by Heald's backup data, and the actual rate that Heald's backup data did support." Enclosure A includes 18 "examples" of allegedly incorrect placement rates, out of the 946 placement rates for which the Department seeks to assess maximum fines. This constitutes less than 2% of the alleged instances of erroneous placement rate disclosures. The Notice of Intent does not indicate whether these 18 unsubstantiated "examples" constitute a representative sampling or represent, in the Department's opinion, the most egregious instances, or, indeed, given the complete absence of transparency, how the examples were selected at all. More to the point, even the "examples" themselves lack any degree of specificity.

With regard to the amount of the fines, the Department categorically determines in the Notice of Intent that that all 946 placement rates "evidenced a blatant disregard for the statutes and regulations governing the Title IV HEA programs," and that all 946 placement rates posed severe potential harm to students and to the government. Notice of Intent at 10. Accordingly, the Department imposed the maximum allowable fines for each alleged violation: \$27,500 for each of the alleged 464 rates disseminated before October 2, 2012, and \$35,000 for each of the alleged 482 rates disseminated after the maximum fine was increased effective October 2, 2012, totaling \$29,665,000. *See* 20 U.S.C. § 1094(c)(3)(B); C.F.R. § 668.84(a)(1); 77 Fed. Reg. 60047

³ A review of many disclosures by other institutions using the mandated template reveals almost identical descriptions of "who's included in the calculation of this rate?" The fact that many other institutions have interpreted and implemented this disclosure in the same way as the School reflects the inherent limitations of the template and the lack of any clear guidance indicating that the disclosure must discuss waivers.

(2012). As discussed below, notwithstanding the clear direction in the law, the bases for the size of each of these fines are entirely absent.

ARGUMENT

1. Dismissal of the Notice of Intent to Fine is Appropriate Because It Neither Provides Adequate Notice of the Basis for Imposing Each Fine Being Levied Nor Adequately Explains How the Department Has Determined the Size of Each Fine.

Dismissal is appropriate where the Department fails to provide adequate notice of the alleged violations. *In the Matter of Euro Hair Design Inst.*, Docket No. 03-94-SA (Feb. 11, 2004) (dismissing fine against school because FSA's notice to school did not identify how fine was calculated or justified). Where fines might be imposed, "[i]nstitutions are not required at risk or peril of a property interest to speculate as to the meaning of the allegations or findings against it." *Id.* (Subpart H proceeding); *see also In the Matter of Atlanta College of Medical and Dental Careers*, Docket No. 91-93-SA (Dec. 30, 1993). Notice requires, at a minimum, that the respondent be afforded sufficient facts to be able to adequately present pertinent objections. *In the Matter of Euro Hair Design Inst.*, Docket No. 03-94-SA; *Mennonite Board Of Missions v. Adams*, 462 U.S. 791, 799 (1983). These due process principles apply to notice of the basis for a fine. *See also In the Matter of Lincoln University*, Docket No. 23-68-SF (March 16, 2015) at 5.

There can be no argument that the *quantity* of the alleged violations somehow excuses the Department from its fundamental due process and regulatory obligations to provide adequate notice of the grounds for *each* alleged violation and the basis for the amount of each fine. Whether the Department elects to assess a few or a multitude of fines, its obligation to justify each one – and the respondent's right to notice and a fair opportunity to defend itself – remains intact. *See Gray Panthers v. Schweiker*, 652 F.2d 146, 168-69 (D.C. Cir. 1980) ("It is universally agreed that adequate notice lies at the heart of due process. Unless a person is

adequately informed of the reasons for denial of a legal interest, a hearing serves no purpose and resembles more a scene from Kafka than a constitutional process.” (footnote omitted)).

a. The Notice of Intent to Fine Fails to Identify the Vast Majority of Placement Rates for Which It Seeks to Punish Heald.

The Notice of Intent to Fine announces the Department’s decision to impose 946 separate fines for claimed errors relating to placement rates – 464 disseminated prior to October 2, 2012 and 482 after. Conspicuously missing from the Notice of Intent is any attempt to identify with any specificity 98% of the 946 specific placement rates for which the Department has claimed a right to levy nearly \$30 million in fines. Indeed, to the limited extent the Notice of Intent makes any attempt to identify the particular placement rates that are the subject of fines, it merely provides a conclusory, single-page list of 18 examples of Heald Campuses and Programs for which placement rate variances are claimed. *See* Notice of Intent, Enclosure A.

This unquestionably convenient approach allowed the Department to levy nearly a thousand fines in a mere twelve-page Notice of Intent, but what was gained in clerical economy was lost in constitutional integrity. The OHA has recognized that, “[a] fine is a pecuniary punishment,” and as such it must be “tailored to fit the violation” and is “subject to the principles of Constitutional Due Process.” *In the Matter of HDS Truck Driving Institute*, Docket No. 07-57-SF (Feb. 1, 2008). As the D.C. Circuit has emphasized, the most basic aspect of due process is receiving notice sufficient to identify the reasons for the denial of a legal interest. *Gray Panthers v. Schweiker*, 652 F.2d 146, 168 (D.C. Cir. 1980). By failing even to identify clearly the specific acts underlying the fines, the Notice of Intent seeks to deprive Heald of property without clearly disclosing the claimed basis for its action and thus violates due process.

b. The Notice of Intent to Fine Fails to Identify the Specific Ways in Which it Contends Each of the Allegedly Faulty Placement Rates Deviates from Legal Requirements.

Not having clearly identified the specific placement rates for which it has levied sanctions, the Department discusses the grounds for the 946 fines it seeks to impose by reference to general categories of deficiency that it ascribes broadly to Heald's placement rates. *See* Letter of Intent at 5-10. However, this broad categorical approach fails adequately to link the claimed deficiencies with the specific placement rates for which fines are being levied. The result is that the Notice of Intent fails to identify with requisite specificity the ways in which the individual placement rates are claimed to violate the applicable legal requirements.

For example, the Department argues broadly and without substantiation that Heald "falsely represented in its 2013/2014 web-based disclosures that its placement rates were supported by attestations." Notice of Intent at 6. However in its truncated attempt to define the extent of this alleged error, the Department merely alludes to the existence of "many instances" in which it claims the attestation was improperly signed by Heald personnel. *Id.* The Department makes no attempt to identify how many of the hundreds of relevant placement rates are alleged to suffer from this defect, much less to identify them individually. Instead, the Notice of Intent simply moves on to another non-specific allegation that in some unidentified number of "other instances" the attestation improperly came from data maintained in Heald's CampusVue computerized information system. *Id.*

The Department resorts to similarly generalized references in presenting its position that placement rates were rendered improper whenever they included unnamed and unidentified graduates who had obtained employment within Heald's own campuses. *See* Notice of Intent at 7-8. Although this alleged flaw is claimed to have been seen only in "some instances," it is

nonetheless offered as part of the undifferentiated listing of defects justifying *all* of the 946 fines levied by the Department.

The same is true of the Department's claim that fines were justified because Heald "counted placements that were clearly out of the student's field." *See* Notice of Intent at 8-9. Although the Department passingly refers to the alleged flaw as being "routine," the Department's entire analysis identifies only *three* specific instances in which this type of erroneous placement classification occurred. There is an unsupported assumption underlying the example that all employees of a restaurant are "burger flippers." This inaccurate assumption could have been easily rebutted had the normal program review process been followed by the Department. Moreover, each instance related to a single student, and they were confined to a mere two programs. *Id.* Even assuming that the misclassification of one or two student placements could somehow have been sufficient to render an entire placement rate materially inaccurate (and leaving aside whether the placements were incorrect under then-existing standards and definitions), these isolated incidents could not have affected more than two placement rates. And yet this alleged defect is offered as undifferentiated evidence in support of all 946 fines. *Id.*

As these examples illustrate, the Department's decision to announce nearly one thousand fines in a single twelve-page document required it to employ a broad-brush, scattershot form of notice. It prevents any meaningful appraisal of the claims as to each of the many hundreds of fines being levied wholesale on Heald.

Instead, Heald has been presented with a document that leaves it guessing at the conduct alleged to serve as the basis for each of the 946 individual claims, for each of which the Department asserts a right to require the maximum forfeiture. This is the essence of a denial of

due process. As the *Schweiker* court observed: “It is universally agreed that adequate notice lies at the heart of due process. Unless a person is adequately informed of the reasons for denial of a legal interest, a hearing serves no purpose and resembles more a scene from Kafka than a constitutional process. Without notice of the specific reasons for denial, a claimant is reduced to guessing what evidence can or should be submitted in response and driven to responding to every possible argument against denial at the risk of missing the critical one altogether.” 652 F.2d at 168-69.

c. The Notice of Intent Indiscriminately Imposes the Maximum Possible Fine for Each and Every One of the 946 Fines It Announces.

The Notice of Intent is also defective in that it indiscriminately seeks to impose the maximum possible fine on Heald for each of the 946 placement rates it deems improper. As the Department was unable or unwilling to delineate each violation and justify each fine, one wonders whether the entire exercise was really an attempt to manufacture the largest possible total fine rather than assess a fine for specific conduct. In any event, the Department’s approach in this case is improper and cannot be condoned.

As the OHA emphasized as recently as last month, any decision as to the magnitude of a fine must weigh a wide range of considerations, including “the seriousness of the violation as well as the degree of culpability of the violator ... the intent or lack thereof of the perpetrator; and the possible deterrent effect punishment might have.” *In the Matter of Lincoln University*, Docket No. 13-68-SF (March 16, 2015) at 5; *see also In the Matter of DeMarge College*, Docket No. 04-49-SF (July 19, 2010) at 4-21 (analyzing in detail multiple acts of alleged misconduct and appropriateness of each fine). In fact, the failure to differentiate the magnitude of fines and an agency’s imposition of heavy fines without individualized consideration raises additional due process concerns. *In the Matter of Lincoln University*, Docket No. 13-68-SF (March 16, 2015) at

5 (“[T]he law has always abhorred the multiplication of charges in order to enhance punishment, regularly finding such action to violate due process.”).

Here, the Department has failed to engage in the type of careful analysis required when determining the magnitude of a fine. For example, the Notice of Intent places significant emphasis on its finding that the wording of Heald’s placement disclosures was imprecise as to which graduates they encompassed. Notice of Intent at 6. However, the analysis does not consider whether these imprecisions might have been honest attempts at defining the relevant parameters, as opposed to intentional decisions to mislead, particularly in light of the vague guidance provided by and the template disclosure imposed by the Department. *Id.* Plainly, the Department simply assumed the worst in each and every case. The same is true of the Department’s conclusion that it was improper to treat students as placed when they became employed during their studies and maintained their positions after graduation. *Id.* at 7. Again, leaving aside (for now) whether this violates any clear standard or definition, the Department plainly failed to consider whether this approach was adopted in good faith (let alone was proper in the first place).

The same defect can be found in the portion of the Notice of Intent that provides the scant analysis upon which the Department bases its decision to impose maximum penalties across the board for all 946 fines levied against Heald. Despite failing to identify the placement rates for which fines were being levied, much less the specific shortcomings attributed to each of those placement rates, the Department offers only the conclusory assertion that all 946 placement rates categorically “evidenced a blatant disregard for the statutes and regulations governing the Title IV HEA programs.” *Id.* at 10. The Department employed a similarly categorical and conclusory

approach in announcing that all 946 placement rates posed severe potential harm to students and to the government.

The OHA has flatly rejected this type of *carte blanche* approach, which eschews individualized analysis and favors uniform imposition of maximum fines. *In the Matter of Lincoln University* involved only ten fines imposed at the maximum rate, but the OHA vehemently rejected this approach, and its observations apply equally—if not more—here:

[T]he only indication of any consideration of the amount of the fine is a reference to the maximum permissible fine, \$27,500 per violation, and a generalized statement to the effect that each violation is serious because, without correct information, students, parents and employees are unable to make informed decisions [S]pecific mandatory factors must be considered in deciding the range of penalties. If FSA . . . seeks to impose the maximum fine in all fine proceedings, it is clearly not in compliance with the express requirements of the regulation and borders on being arbitrary.

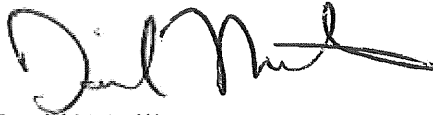
Docket No. 13-68-SF at 6.

It is difficult to imagine a better example of arbitrary decision-making than the blanket imposition of maximum fines for each of 946 undifferentiated instances of alleged placement rate disclosures in the Notice of Intent. The Department made no room for the possibility that *any* of the placement rate disclosures had a reasonable explanation determinable upon closer examination negating any fine at all, or were inadvertent errors or good-faith mistakes that might justify only a small fine. This flaw in the Department's analysis is hidden, of course, in the non-specific, undifferentiated and homogenized method of describing the alleged violations and the presumptive approach to assessing fines. Under the most fundamental concept of due process, a respondent required to answer to such accusations is entitled to more than that.

CONCLUSION

For the reasons set forth above and any other grounds asserted in further submissions or a hearing in this matter, Heald College respectfully requests that it receive a notification that the fine will not be imposed, pursuant to 34 C.F.R. § 668.84(b)(2)(i), or that the Notice of Intent to Fine be dismissed. To the extent such relief is not granted immediately, Heald College respectfully requests a hearing in this matter pursuant to 34 CFR §§ 668.84(b)(1)(iii) and 668.88.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'David E. Mills', with a long horizontal flourish extending to the right.

David E. Mills
COOLEY LLP
1299 Pennsylvania Ave., N.W.
Washington, D.C. 20004
(202) 776-2865

Dated: May 5, 2015

Counsel for Heald College

EXHIBIT C



6 Hutton Centre Drive Suite 400

Santa Ana, CA 92707

tel (714) 427-3000 fax (714) 427-3010

www.cci.edu

December 31, 2014

Michale S. McComis, Ed.D.
Executive Director
Accrediting Commission of Career Schools and Colleges
2101 Wilson Boulevard, Suite 302
Arlington, Virginia 22201

Re: Corinthian's Response to the Commission's September 15th Letter

Dear Dr. McComis:

Corinthian Colleges ("Corinthian") responds to the Commission's letter placing our ACCSC-accredited campuses on system-wide warning and requesting significant information regarding graduate placement, financial soundness and updates regarding other regulatory agencies. We appreciate the opportunity to respond to the Commission's requests and believe that our responses will not only assuage the Commission's concerns, but provide additional perspective for the Commission's future placement re-verification demands for other schools after Corinthian is no longer educating students.

Placement Re-Verification

Since our placement verification efforts began in 2005, Corinthian has learned much about the challenges associated with meaningful re-verification. That knowledge increased significantly following analysis of the ACCSC-mandated third-party audits of the placements in our 2013 and 2014 Annual Reports. The essential characteristics of effective re-verification audits became much clearer. These elements of effective re-verification resulted in outcomes of the 2014 audit which provide evidence of the integrity of our processes—both historically and presently.

It is critically important to note that in preparation for the 2014 audit, we researched—and where possible implemented—fundamental survey elements gleaned from a variety of studies on key constructs regarding survey design. These important elements bear both on the outcomes of the 2013 audit as well as the present, much more robust metrics achieved in the 2014 audit. For example, as detailed in the accompanying response, survey characteristics such as recency, frequency, incentives, resources, demographics and duration of the audit period all factor significantly into response rates. In short, the concerns expressed by the Commission regarding the 2013 audit results *relate more to deficiencies with the audit process itself than with the integrity of Corinthian's underlying data, procedures and processes.*

The Commission has already received directly from CARS the results of its independent third-party audit of graduate employment records from the 2014 Annual Report. CARS selected and examined 5,254 graduate placement records, verifying as placed 85.57% of the sample (including "verified" and "placed but different"), claiming as invalid 3.62% and unable to contact 10.81% of the sample. A copy of the report is included as Exhibit 1 to our response.

Notably, while the response rate significantly improved in the 2014 audit, the "invalid" results between the 2013 and 2014 audits remained remarkably constant. This is an important point emphasizing that Corinthian's unable-to-verify placements should not be regarded as "invalid" simply because they were not contacted. In fact, when Corinthian's "unable to verify" rate declines—when the auditor is able to contact employers and graduates—most of the change in other categories is in the "verified as placed" rate. This significant fact undermines the September 15th letter's implicit conclusion that unable-to-verify placements were equivalent to "invalids." That unable-to-contact placements were likely "verified as placed" records that could not be reached strongly suggests a high degree of integrity in Corinthian's record keeping and placement reporting.

As directed by the Commission, the enclosed response provides detailed answers to the various requests on pages 6 and 7 of the September 15th letter regarding placement verification, including:

- A detailed description of the employment classification and verification process used by Corinthian-affiliated campuses;
- A detailed description as to how each campus determines the classification of graduates as employed in accordance with *Appendix VII Guidelines for Employment Classification, Substantive Standards of Accreditation* and specifically how the school defines and determines employment as sustainable and related to the program of study;
- A justification as to how the employment verification process used prior to the "Oral Employment Confirmation" represents "diligent efforts";
- A description of the Oral Employment Confirmation Process;
- A description of any changes made to the processes described above since Corinthian's last response to the Commission;
- A more detailed explanation as to why less than 30% of the total records reviewed in the audit of the 2013 Annual Report data could be verified by the independent third party auditor to match the school's record and justification as to why Corinthian believes that ACCSC can rely on the school's reported rates given the high percentage of records that could not be verified by the independent third party auditor;

- An analysis as to the efficacy of Corinthian's second-level review conducted by the "independent employment verification team at the CSC" in identifying and correcting the types of errors and inaccuracies found by the independent third-party auditor as described in this letter and a justification as to why the commission can rely on this process to produce accurate reporting;
- With regard to the 2013 Annual Report data, re-calculated Graduation and Employment Charts have been provided for programs where Corinthian has re-classified the employment status of any graduates based on the general findings outlined in the September 15th letter (e.g., the employment does not align to the majority of the program objectives, is not sustainable, etc.). We provide a matrix which shows the rate previously reported against the newly calculated rate and an explanation as to the reason(s) for the differences;
- An explanation for any student which the school reported as employed in a training related field that the independent third-party verified as not accurate;
- An explanation for any program where the independent third party is unable to verify 20% or more of the sample records due to an inability to contact either the employer or the graduate;
- A matrix that shows the graduate employment statistics reported to students aligned with the graduate data reported to ACCSC for each program grouped by campus location based on the data reported in the 2013 and 2014 Annual Reports;
- An explanation for any employment rate disclosed to students that differed from the rate reported to ACCSC;
- Attestations from each school signed by the school director that the employment rate information submitted to ACCSC and disclosed to students has been, to the best of their knowledge and belief, truthful and accurate as well as an attestation from the CEO of Corinthian stating the same on behalf of the system of schools; and
- Additional information that we believe will assist the Commission in making a determination regarding the school's compliance with accrediting standards related to placement.

In short, following the dedication of extensive resources in both time and money, the 2014 audit combined with Corinthian's responses to the above requests demonstrate the integrity of Corinthian's placement verification efforts, reporting and graduate results.

Financial Soundness & Other Regulators

As requested, we also provide the following information regarding the financial soundness of our organization:

- An explanation regarding the absence of audited financial statements for the fiscal year ended June 30, 2014 in accordance with ACCSC Instructions for the Preparation and Submission of Financial Statements and related information; and
- A Management Discussion and Analysis examining and explaining the school's current financial condition, including a discussion that addresses school's financial performance goals and results, anticipated future demands, events, conditions, and trends that impact the school, and a discussion regarding how Corinthian believes it will be able to continue to operate and fulfill its obligations to students.

We also provide information regarding updates involving other regulatory agencies.

Additional Requests

The response includes a description of the process being followed with the U.S. Department of Education Monitor regarding the sale of Corinthian campuses and the current status of the sale of any Corinthian campuses. We also respond to the inquiry regarding revised teach-out plans. Additionally, due to the Commission's placement of forty campuses on System-wide Warning, Corinthian was directed to inform all current and prospective students of such status. Our response includes evidence that we took immediate action and provided notice via written disclosures and websites on October 1, 2014.

** ** ** **

Corinthian hopes these answers and the 2014 audit results have restored the Commission's trust in our organization and have convincingly demonstrated our current and historic commitment to compliance. We encourage the Commission to consider the lessons learned from our analysis of back-to-back audits as it requires audits of other institutions. Further, we believe the results of the third-party audit by CARS and the updates provided herein warrant the removal of the System-wide Warning.

We appreciate all the Commission has done over the years to assist us in educating students nationwide. It is difficult to express, both personally and collectively, our disappointment at being the first significant casualty of a concerted attack on vocational schools. We sincerely hope that the Commission successfully assists other institutions in navigating the current environment to the benefit of students, communities and employees.

We wish you the best in 2015.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a horizontal line that ends in a small upward flick.

Jack D. Massimino
Chairman and Chief Executive Officer
Corinthian Colleges

Enclosures

**Accrediting Commission of
Career Schools and Colleges**

Corinthian Colleges'

Response to the System-wide Warning

Letter dated September 15, 2014

Corinthian System of Schools

December 31, 2014

In light of the long prelude to the September 15th letter, we feel it important first to address directly the concerns expressed by the Commission regarding the third-party audit of the 2013 Annual Report placements and Corinthian's analysis of the audit.

2013 Audit Records Noted As "Unable to Verify"

A significant concern in the September 15th letter was the high percentage of placements identified as "unable to verify" which was CARS' description of employers and graduates who could not be contacted or who failed to respond. CARS recognized, consistent with our own experience, that this inability to contact was in part due to employer fatigue at being contacted so many times to verify employment, missing employer personnel records, lack of employer and/or graduate cooperation, deliberate employer/graduate misreporting to the auditor, disgruntled graduates, a desire to conceal income, and outdated contact information. However, the 2014 audit combined with an analysis of academic studies related to obtaining survey responses, revealed significant reasons for the "unable to verify" percentage in the 2013 audit.

The elapsed time between placement and the audit contributed to the high number of records of employers and graduates that failed to respond to the auditor. In the 2013 audit, the auditor attempted to re-verify employment records for students, some of whom graduated from their programs more than *four years* earlier. This significant lapse of time demonstrably affects response rates.

The brief period for contacting employers and graduates contributed to the "unable to verify" percentage. The entire calling campaign for the 2013 audit lasted a mere 23 days. There were multiple reasons why the campaign lasted such a short period of time, including the execution of administrative tasks (such as selection of an auditor, negotiation of the contract, collation and provision of materials to the auditor), inexperience in such third-party audits and lack of resources due to other regulatory agency demands. In contrast, the 2014 audit lasted for nearly twice as long at 43 days and resulted in a 10.81% "unable to verify" rate. It is apparent that 23 days is entirely insufficient to obtain survey responses from a large number of participants.

The small number of contact attempts contributed to the high number of employers and graduates that failed to respond to the auditor. The 2013 audit required the auditor to make up to a mere *nine* attempts to contact the employer (four by email and five by phone) before another maximum of *seven* attempts to contact the graduate (four by email and three by phone) were made. In total, only *sixteen* attempted contacts were made in the 2013 audit, far too few to obtain responses in a sizeable sample. In contrast, the 2014 audit required *thirty* employer attempts (fifteen by email and fifteen by phone) followed by *thirty* graduate attempts (fifteen by email and fifteen by phone), for a total of *sixty* contact attempts—a 375% increase in contact attempts. Although these increased contacts produced a number of angry graduates and employers (at least one of which now demands \$30 from us for every verification), it increased the response rate significantly.

Stated another way, the recency of the data plus the extended contact campaign plus the additional contact attempts (and perhaps additional efforts relating to the contact data and method of contact) produced a response rate of nearly 90% in a sizeable sample of employers and graduates. This was achieved without any substantive change in Corinthian's placement process, record keeping, data gathering or other material element of obtaining and tracking graduate placement for the vast majority of the sample.

Notably, while the response rate significantly improved in the 2014 audit, the "invalid" results between the 2013 and 2014 audits remained remarkably constant. The contact rate does not appear to correlate to the measurement of the substantive "invalid" rate. Whether the contact rate is 50.1% as in the 2013 audit or almost 90% as in the 2014 audit, the invalid rate remained virtually constant at 3.5%. This is an important point emphasizing that Corinthian's unable-to-verify placements should not be regarded as "invalid" simply because they were not contacted. In fact, when Corinthian's "unable to verify" rate declines, most of the change in other categories is in the "verified as placed" rate. That is, Corinthian's unable-to-verify placements become "verified as placed" (with some increase in "placed but different") when the auditor is able to contact them. This significant fact undermines the September 15th letter's implicit conclusion that unable-to-verify placements were equivalent to "invalids" (*i.e.*, as if they were the result of Corinthian's poor—or worse—record keeping). The fact that unable-to-contact placements really were just "verified as placed" records that could not be reached strongly suggests a high degree of integrity in Corinthian's record keeping and placement reporting while also implying that the third-party re-verification process was simply not sufficiently robust or was otherwise flawed.

One factor common to both the 2013 and 2014 audits is the singular examination of only placed graduates. Limiting the data set to this cohort means the placement rate *will only decrease*. By design, the re-verification process can only verify graduates as placed as recorded, or deem placed records invalid; it cannot find graduates who could have been counted as placed but were not because graduates who were not recorded as placed are not included in the process. Expanding the data set to include all graduates would invariably find those who were placed during the cohort measurement period but were not claimed as placed in the reporting process and thus support the reported placement percentage. Therefore, the audit process is deficient in its design if the objective is to verify accurate placement percentage reporting.

In short, the concerns expressed by the Commission regarding the 2013 audit results *relate more to deficiencies with the audit process itself than with the integrity of Corinthian's underlying data, procedures and processes*.

Lastly, Corinthian understood the Commission's request to provide "an explanation for any program where the independent third party could not verify 20% or more of the sample records due to an inability to contact either the employer or the graduate" to refer to those programs where CARS failed to verify at least 20% of the program sample—in other words, programs where less than 20% of the sample could

be contacted to verify whether the placement was accurate or not. With this understanding of the ambiguous phrase, Corinthian only found 15 programs where CARS failed to verify 20% or more of the employment records. Corinthian now understands that the Commission was instead requesting an explanation for each program where less than 80% of the sample records could be verified. It is Corinthian's position, supported by academic studies referenced in section b.1 below and the efforts required in the 2014 audit, that generally it is extremely difficult to obtain response rates greater than 80%, particularly when using stale data for a brief contact campaign with few contact attempts. Corinthian's explanation for response rates below 80% in the 2013 audit are found above and in section b.1 below. Further, Corinthian notes that to calculate the correct unable-to-contact percentage, the following should be subtracted from 100%: the verified-as-placed percentage plus the placed-but-different percentage plus the invalid percentage (the sum of all categories where contact was made).

Graduate Employment Disclosures

The September 15th letter appears to raise two distinct issues regarding graduate employment disclosures, the disclosure of the 2012 Annual Report placements in accordance with Commission standards and proof of modification of a small number of Gainful Employment disclosures.

Despite multiple reaccreditation site visits since January of 2013, the Commission's September 15, 2014 letter was the first time an issue had been raised regarding the disclosure of the 2012 Annual Report placement rates. Although it must be confusing to prospective students who view multiple placement rates such as an accreditation placement rate, a state placement rate, a federal placement rate, an institutional placement rate, a program placement rate and, where applicable a programmatic accreditation placement rate, each with different factors in the calculation formula, Corinthian now publishes separate and distinct disclosures specifically for ACCSC-accredited campuses. An example of the ACCSC program disclosure for Everest Alhambra is provided in Exhibit 2.

In Corinthian's response dated July 1, 2014, several Gainful Employment disclosures were identified as requiring modification. The September 15th letter requested evidence that the disclosures had been modified. As previously mentioned, Corinthian used the United States Department of Education's Gainful Employment Disclosure template as the vehicle for providing students and potential students information on placement rates. The web-based template was newly introduced in November of 2013 with a required implementation date of January 2014. While preparing the July 1st response, we discovered that of Corinthian's approximately 1,200 program offerings, 0.9% required a modification. Evidence that the modifications were made to the program websites can be found in Exhibit 3.

Classification and Record Keeping

In the September 15th letter, the Commission broadly expressed concern in two areas: allegedly inaccurate information on forms and purportedly unrelated job titles.

1. *Allegedly inaccurate information on forms*

While Corinthian expects employment verification forms to be thoroughly completed with precise information, sometimes we see sections that employers either neglected to complete or information, such as salary for instance, employers refused to provide based on policy or privacy reasons. In some instances, graduates incorrectly remember and record the exact date they began their employment, particularly if the graduate completed his/her externship at the same location where they were hired after graduation. Additionally, there are times when our own employees accidentally omit information, transpose numbers or otherwise introduce human or data entry error to the employment verification forms.

As recognized by the Committee of Sponsoring Organizations of the Treadway Commission (a joint initiative of five major private-sector auditor associations), effective internal controls can provide only reasonable assurance, not absolute assurance, that management's control objectives are accomplished. Thus, while we endeavor to have no errors in our documentation, it is not reasonable to expect that deviation from our policies will *never* occur or that complete accuracy in our records will *always* occur—particularly when such forms are voluntarily completed by third-party employers and graduates. To reduce the likelihood of error, Corinthian relies on various processes to review, collect and confirm that the information is correct. For example, the Employment Verification Team calls each employer and/or graduate and at least orally confirms employment. Corinthian's Internal Audit department randomly selects placements to re-verify and employer locations to visit. These efforts provide an extra level of review for those instances when there are inconsistencies or incompleteness in information provided. We believe these efforts produce materially accurate information on our forms.

2. *Job titles purportedly appear unrelated*

Job titles slightly vary during the verification process depending on the employee we speak to at the work site. For example, in both the 2013 and 2014 audits, varying job titles included: Lube Technician vs. Automotive Technician; Manager vs. Supervisor; Technician 3 vs. Entry-Level Technician; Line Lead vs. Shop Assistant; Sterile Processing Tech vs. Surgical Technician. In all of these examples, CARS labeled those placement records "placed but different." Of CARS' "placed but different" designation, a significant percentage contained corrected job titles. The majority of these corrected job titles appear to be immaterial title differences such as the above.

Corinthian finds these differences immaterial and asks the Commission to consider the following scenarios:

- a. *Employers change job titles:* Many employers change job titles for various reasons. Some employers, specifically smaller organizations, where there are no standard human resources practices, one person might call the employee a "manager" and another may refer to them as a "supervisor." These terms are interchangeable and synonymous;

- b. *Employees may change jobs:* Graduates may change jobs during their tenure with the same employer. An individual may be hired in as a “supervisor” at the onset of the position, but over time may move into a new role and as such job titles may change. When the campuses recorded the information, it was accurate as of the data entry date, but by the time a third-party auditor re-verifies, in some cases years later, the graduate’s job may have changed. In addition, third-party auditors do not ask qualitative and/or probing questions to understand those changes. The auditor simply asks “Is your job title a Medical Administrative Assistant?” and if the graduate states “No, my title is a Medical Office Specialist” the record is labeled “placed but different” even though the placement meets policy and accreditation standards;
- c. *Third-Party Verification Systems:* Differences in job title might also be the result of information gathered from third-party verification systems, such as The Equifax Work Number. The Work Number typically includes a generic job title such as “Service Representative II” when the employer or graduate might actually be titled a “Sales Manager.” The job duties remain the same, but the title varies due to the party recording it.

Lastly, on page 3 of the September 15th letter, the Commission pointed out several examples of job titles that did not initially appear directly related to the program of study, such as: Medical Assistants employed as Chiropractic Assistants; Medical Administrative Assistants employed as Schedulers; and Pharmacy Technicians employed as Visual Inspectors. Corinthian examined these records from the 2013 audit and continues to stand by the reported placements. A brief summary of the reasons for our constancy are found in the chart below:

PROGRAM	JOB TITLE	SKILLS	COMMENTS
Medical Assistant	Chiropractic Assistant	Vitals, medical terminology, patient charts, rooming, assisting with x-rays, medical billing, and patient scheduling.	Corinthian orally confirmed employment with employer who stated the graduate was using on the job the skills she learned in her program.

PROGRAM	JOB TITLE	SKILLS	COMMENTS
Medical Assistant	Massage Therapist	Vitals, medical terminology, patient charts, rooming, front office.	There was a data-entry error for 5 Medical Assisting graduate placements. They were incorrectly identified as Massage Therapists. Work location is in Medical Offices or Hospitals. This error can occur because the job title is selected from a drop-down menu where "massage therapist" is just below "medical assistant."
Medical Assistant	Phlebotomists	Specimen collection, labeling, testing, drawing blood, blood panel, urinalysis, patient care, front office	It is Corinthian's position that phlebotomy is a career path for Medical Assistant graduates that keeps their skills sharp and provides medical experience for future growth in the medical field; this is a reasonable entry-level position that affords future opportunities in a career.
Medical Assistant	Dental Assistant	N/A	We searched the records and could not find any Medical Assistants employed as Dental Assistants. Note: Corinthian does allow Medical Assistants to work in a dental office if the position requires assistance with oral surgery as the graduate would be using skills learned in the program.
Medical Administrative Assistant	Schedulers/ Receptionists	Patient scheduling, answering phones, patient charts/files and billing	All 9 Medical Administrative Assistant graduates were working in a medical office or clinic and were using skills learned in the program.
Medical Administrative Assistant	Optometrist Assistant	Patient scheduling, answering phones, medical records, and insurance verification	1 Medical Administrative Assistant graduate working at an eye clinic using skills learned in the program.
Pharmacy Technician	Customer Service Representative	Pharmacy knowledge, dosage and calculations	Employer hires only certified Pharmacy Technicians, thus the education is a prerequisite to hiring.

PROGRAM	JOB TITLE	SKILLS	COMMENTS
Pharmacy Technician	Visual Inspector	Pharmacy knowledge required, visual inspection of drugs	Pharmaceutical company which preferred certified Pharmacy Technicians, thus the education was integral to obtaining employment.

Additional examples are provided in section a.ii. of the response and continue to support the notion that placement verification is a complex task, often requiring resources to research positions and debunking conclusions based merely on job titles. Clearly, job titles alone should not be used to determine if a job is a suitable placement. One must explore further to determine if the position meets the appropriate standards as set forth by the Commission.

Classification and Verification Process

As noted above in the “Classifications and Record Keeping” section, there were slight discrepancies between start dates or job titles given by the graduate and/or employer to the campus, to the Employment Verification Team, and/or to CARS. A significant percentage of the 2013 audit’s “placed but different” placements related to variations in start date. Of these, a sizeable portion involved a variation of fewer than seven days. In total, a large majority of the “placed but different” placements were so categorized by CARS due to immaterial variations in job title or starting date. We believe the non-substantive nature of these variances result in a reasonable verification of these placements as they satisfied the Commission’s employment definition, including requirements of utilizing the skills learned in school in a position that was intended to be sustainable while earning an income.

The Commission also questioned Corinthian’s process for obtaining oral verification of employment and our definition of “diligent efforts.” A thorough response to these concerns is addressed below in sections a.iii-iv.

We believe the above responds to the various issues raised separately in the prelude to the September 15th letter, distinct from the specific requests.

RESPONSE TO SPECIFIC REQUESTS IN THE SEPTEMBER 15, 2014 LETTER

We turn now to the specific requests made in the letter, following the format of those requests from the letter itself.

- a. *With regard to the schools’ internal employment classification process provide:*
 - i. *A detailed description of the employment classification and verification process used by Corinthian-affiliated schools.*

RESPONSE: Classification and Verification Process

Corinthian is committed to its graduates and the placement assistance we provide. Each school has a Director of Career Services and multiple Career Services Representatives. The number of Career Services Representatives varies depending on student population. Further placement leadership is provided at the regional level. Each employee is required to attend a series of online training sessions and onsite workshops that address both classification and verification, in addition to the on-the-job training and guidance received from experienced leaders and coworkers on a daily basis. We explain the broad processes for these two aspects of placement below.

Job Classification

The Career Services training covers a variety of compliance and regulatory topics including placement classification and employment verification. The classification process fits within the broader placement policy, found in the detailed, twenty-one-page policy regarding placement. See Exhibit 4, RAO23 "Policy Regarding Placement Verifications and Waivers." This policy remains available and easily accessible to employees via the school's intranet throughout their employment. The policy satisfies the Commission's placement requirements, and several areas of our placement policy, including the entire Placement Verification Team employment re-verification process, exceed minimum standards required by accrediting or regulatory agencies.

In addition, through this training Career Services staff learns how to manage externships, coach and develop students, and build employer partnerships. Corinthian's Career Services Training Map provides an example of the training our employees complete, including summaries of six of the twelve training modules that address placement classification and verification. See Exhibit 5.

A large majority of the jobs our graduates obtain are easily classified as "in field" based on the program name and the job title. For example, a Medical Assisting graduate working as a Medical Assistant in a doctor's office or Pharmacy Technician graduate working as a Pharmacy Technician at Walgreens are both easily classified. Unfortunately, as noted above and below, not all the job titles and responsibilities are as straightforward and easily identifiable. In fact, sometimes the job title or even the job description does not provide the necessary information for routine classification so additional research is needed.

To further assist Career Services personnel to navigate the challenges encountered in placement classification, Corinthian has created two job tools for campuses to reference. A job tool, also referred to as a job aid, provides guidance outside of a traditional training environment. Such tools or aids are designed to support performance and reduce mistakes by helping employees remember what to do and to promote completion of all required steps. The first tool is the "The Position Classification Table," found as Exhibit 6. This table was created by the Employment Verification Team in partnership with the Curriculum Support team at the Campus Support Center. The tool assists schools in determining if a particular job will meet policy requirements.

Further, the Position Classification Table provides program-by-program examples of job markets, job titles, and skills used so that Career Services employees target appropriate industries and build employer relationships with hiring managers whose open positions are in the field in which the graduate was trained.

The second tool is the “Employer Classification Table” found at Exhibit 7. This tool was also created by the Employment Verification Team in consultation with the Curriculum Support team. The Employer Classification Table includes employers and job titles of Open Job Opportunities (“OJOs”). The Table lists OJOs that have been approved and denied in the past by the Vice President of Compliance. The Employer Classification Table primarily contains names and open positions of repeat employers of our graduates, such as large employers including Walgreens, CVS, etc.

To supplement the tools referenced above and to further assist with job classification, Corinthian instituted a “pre-approval” process in 2012 that has assisted campuses and field management in identifying appropriate OJOs. The process starts with the local campus becoming aware of an employer that is currently hiring for an open position. If the Director of Career Services is uncertain if the position will meet policy standards, s/he will forward the job description to the Regional Director of Career Services. If the Regional Director of Career Services is still uncertain, s/he will forward the request for review to the Divisional Director of Career Services. If the Divisional Director is still uncertain, s/he forwards the request for review to the Vice President of Compliance who oversees the applicable policy and central Employment Verification Team. The Vice President of Compliance reviews the job description, the employer website, the campus catalog, applicable enrollment and marketing materials, the program outline and learning objectives and consults with the appropriate Curriculum Manager and sometimes the employer itself before rendering a decision as to whether the OJO may be accepted. Please refer to Exhibit 8 for the Employment Verification Flow Chart describing the pre-approval process. Since implementation in early 2012, this process has significantly reduced the number of misclassified employment records. While we continue to improve our classification process, we believe that it results in materially accurate categorization of placements.

Placement Verification

The above job classification process constitutes a part of the broader placement verification process. In addition to helping students find employment, Corinthian takes pains to track and accurately report job placements. The process by which this occurs is graphically represented in Exhibit 9. The narrative explanation of the process is found below.

The determination that a graduate has obtained in-field employment begins with the Career Services department at each campus. Career services representatives determine the student’s employment by contacting the student or employer to confirm that the student was hired and that the placement meets accreditation requirements. Campus-level verification activities are supervised at the campus by both the Director of

Career Services and the Campus President, who are responsible for ensuring campus-level accuracy of placement information. In turn, these individuals receive additional support and oversight from subject matter experts at the regional and divisional levels.

Corinthian's efforts in accurately tracking and reporting placements do not end there. In what we believe to have been an industry first, Corinthian implemented in 2005 a secondary verification process. This process is centralized at the Campus Support Center in Santa Ana, California and conducted through a Placement Verification Team consisting of employees whose sole job is to check and verify the placements reported by the campuses. This second-level verification is not required by the Commission or any state or federal law or regulation. It is something Corinthian implemented on its own to confirm the reliability of its placement data. The Placement Verification Team has historically reviewed an impressive number of placements every year and in the last year has reviewed every placement before it can be entered as a "placement." This second-level review helps to promote accuracy before placements are reported to the Commission and to prospective students.

Identifying when a student is "placed" in accordance with accreditation requirements is not always easy. The second-level review process adds another layer of oversight to promote compliance with accreditation standards when placements are reported.

Corinthian has improved its second-level verification process over time. Prior to 2013, the campus recorded a graduate as being "placed" in the student information system, CampusVue, after the initial campus-level determination of placement. The Placement Verification Team then attempted to re-verify all placements by contacting either the employer or the graduate. When discrepancies resulted from the Placement Verification Team's efforts, the placement was put into "Open Verification," which meant it became part of additional follow up with the campus, asking for the campus to either remove the placement or provide justification to the Placement Verification Team why the placement should remain in the system. In most cases, this resulted in either the placement being removed or the campus providing sufficient proof of the placement such that the placement remained in the system. If the Placement Verification Team and the campus were unable to resolve whether a particular placement should remain, there was yet a further avenue and level of review available before an Appeals Panel.

Starting in May of 2013, after a pilot beginning in August 2012, Corinthian began rolling out a new process requiring students to be marked as "placed" in CampusVue only *after* the Placement Verification Team re-verifies the placement. The School uses the same process to resolve discrepancies between the campus and Placement Verification Team as described above, except that no placement is entered until after the discrepancy is resolved. This eliminates the possibility of having to revise placements after they are reported to the accreditor or other regulatory agencies in the event of a time-lag between the initial campus-level verification and the re-verification by the Placement Verification Team. The roll-out of this new process was completed in March of 2014.

Another improvement to the verification process is the “ten-plus”—now “five-plus”—rule. Starting in approximately August of 2010, Corinthian increased scrutiny of placements with employers that hired more than ten graduates in a single reporting period. For such employers, (1) the Placement Verification Team attempted to confirm the placement with both the employer *and* the student, and (2) campus leadership began to conduct physical site visits of employers that hired more than ten students during a reporting period to confirm the students were actually working there and that the employer was legitimate. Effective May 2013, the School officially adopted a “five-plus” rule, requiring site visits by the Regional Vice President of Operations, as well as attempted verification from both student and employer, for all employers that hire five or more graduates in a reporting period. The site visits usually take place within six months of the fifth student’s first day of employment, after the placement is entered.

Corinthian has also improved its training, supervision and oversight for placements that are difficult to categorize as “placed” for purposes of meeting accreditation or other regulatory requirements. As the varying and evolving definitions of “placement” among accreditors and regulators reflect, reaching the proper person to verify employment and determining whether a graduate’s employment qualifies as a “placement” is not always easy and can be an art more than a science. For example, the skills taught in the field of business may be applied to a wide variety of career positions and work environments, and job titles and/or descriptions may not always be sufficient to determine whether or not a position meets the Commission’s definition of “placement.”

To assist with overcoming these challenges, we developed and regularly revise classification tables for use by the Career Services department of each campus to determine appropriate classification of graduate placements. We also train employees to further research any job titles or descriptions that are not immediately recognizable as meeting accreditation requirements, to ensure the placement is appropriately classified.

We also began using a Placement Verification Oversight Panel to further ensure appropriate classification of placements that are difficult to classify because of ambiguous job titles or descriptions. The panel consists of members from the Placement Verification and Accreditation & Licensing Departments who review, discuss, and research ambiguous job titles and descriptions to determine appropriate classification for placement.

In addition to continually improving our already-robust placement verification processes, we routinely audit those processes to promote compliance and accuracy. Corinthian’s Internal Audit department—which existed even prior to the creation of the Placement Verification Team—employs full-time employees who conduct compliance audits for every single campus on an annual basis. Since April 2012, part of the annual audit has included a visit by the auditors to the physical locations of at least two

employers per campus, which are selected using risk-based criteria. The Internal Audit department reports to the Audit Committee of the Board of Directors.

Corinthian also has an Accreditation and Licensing department that periodically reviews placements, for instance to help campuses prepare for accreditor reviews and site visits. This adds an additional layer of internal oversight and review—and an added reason for campus Career Services personnel to be accurate in the first entry of placements into the system.

Our compliance policy further reinforces the accuracy of the campuses' placement reporting. Corinthian repeatedly communicates that it demands accuracy from its employees, and encourages employees to report any potential wrongdoing through any one of a variety of mechanisms. These include, but are not limited to, reporting through the employees' immediate supervisor or other employees at the campus, who are required to maintain an "open door" and "no-retaliation" policy when it comes to compliance matters; utilizing the Integrity Hotline, which is well-publicized to employees and is made available 24 hours a day, 7 days a week through the web, via phone, or via email, and which accepts anonymous tips to further encourage participation by employees; and/or contacting Human Resources, which also makes itself available to employees, including by giving out cell phone numbers for its personnel so that they may be reached at any time.

As demonstrated by Corinthian's Career Services training, standard operating procedures, thorough placement policy, tools including the pre-approval process and job classification tables, plus a dedicated team for its re-verification efforts, Corinthian strongly believes that the Commission can continue to rely on our classification and verification process and the accuracy of our reporting. The 2014 audit clearly supports such a conclusion. We long for the opportunity to demonstrate the integrity of our placement process in a court of law to rebut the allegations leveled against us in the media and by other agencies.

- ii. *A detailed description as to how each school determines the classification of graduates as employed in accordance with Appendix VII Guidelines for Employment Classification, Substantive Standards, Standards of Accreditation and specifically how the school defines and determines employment as sustainable and related to the program of study.*

RESPONSE: In addition to following the general process described above regarding classification and verification, each campus determines the classification of graduate employment by carefully examining each placement. Campuses evaluate potential placements to ensure that the majority of the core skills learned in the program is a predominant component of the job. In addition, campuses confirm with the employer and/or graduate that the position pays a monetary wage and is intended to be ongoing and sustainable. Jobs with a pre-determined end date do not typically meet policy guidelines. For example, a graduate who is hired to work for only one week while

covering for an employee who is on vacation is not allowable. On the other hand, if a graduate resigns or is terminated after only a week and the position was paid and intended to be ongoing and sustainable then the placement is acceptable. In the past, campuses have struggled with the definition of "ongoing and sustainable" when using employment agencies and positions that only hire contract workers, especially where the specific contract work might be temporary but the work with the agency will be ongoing, resulting in sustainable work to multiple, repeated temporary assignments. The placement pre-approval process mentioned above has been extremely helpful in classifying placements as well as the job aids and the training manual. When evaluating agencies, campuses must determine that the graduate is working in-field and that they are eligible to continue receiving assignments before the placement is deemed ongoing and sustainable. The same is true for contract workers. Campuses confirm with the employer or graduate that after the current contract is completed, there is an opportunity for future contracts. If so, the placement is acceptable.

Clearly, placement verification and re-verification constitute a complex process. Consider a Medical Assisting graduate working at Grifols employed in the position of Donor Processor. At first glance, one might not be familiar with the Grifols organization and immediately assume this position would be "out of field." After further review, Grifols is a "global healthcare company whose mission is to improve the health and well-being of people around the world" (www.grifols.com, accessed on December 12, 2014). The company is known for providing protein therapies for patients and has three divisions within the organization: Bioscience, Diagnostic, and Hospital. After reviewing the Donor Processor job description, found at Exhibit 10, one may still have questions as to whether the job would be considered "in field" and if the "position requires a direct use of the majority of the core skills as a predominant component of the job," Exhibit 4, CCI Placement Verification and Waiver Policy, at 2. To be certain, employees from the Compliance, Accreditation and Licensing, and Employer Partnership teams conducted a site visit to Grifols in Orange, California in the spring of 2013. The site visit revealed Donor Processors were working in several different areas of the center from the front desk admitting and scheduling, to answering phone calls from patients to drawing blood and operating hemoglobin machines to labeling, storing and freezing specimens to quality assurance. Furthermore, they worked closely with the registered nurses on duty as well as the physicians that visited the site weekly. The time-consuming verification and classification follow up clearly revealed that this position qualified as a Medical Assisting placement. We note that the audit procedure required by the Commission does not demand the auditor to engage in such an exploration of a qualified placement.

Another example is a Medical Assisting graduate working at Omnicare Call Centers as a Patient Care Representative. At first, Corinthian struggled with verifying a Medical Assistant working in a call center and the potential that s/he would lose their clinical skills while only working with patients over the phone. However, after reading the job description and speaking with the employer, Corinthian learned the organization required employees to have a background in medical assisting. Additionally, the job responsibilities included knowledge of medical insurance, consulting with patients via phone, ensuring appropriate patient therapies, reviewing patient care plans, and

working with registered nurses and physicians. Out of an abundance of caution, the campus had a Program Advisory Committee (“PAC”) member, a physician, visit the location to evaluate the position. The physician agreed that the position was in fact a good fit for a Medical Assisting graduate and he provided his assessment in a written document, attached as Exhibit 11.

Also, at first glance, a Resolution Specialist at Walgreens may appear as if it may be out of field for a Pharmacy Technician graduate. After further research, it was learned that Walgreens operates a call center that is responsible for resolving third-party rejections which requires understanding dosage administration, insurance authorization processes, familiarity with trade and generic drugs, drug classification and nomenclature. In addition, the employer gives hiring preference to certified pharmacy technicians. The skills used on this job are core skills learned in Corinthian’s Pharmacy Technician diploma program, as found in Exhibit 12.

These examples demonstrate the detail with which the verification and classification process occurs at Corinthian, including at the campus level. They also demonstrate the potential false negatives that might result from an audit that fails to delve deeper into the placements, accepting superficial conclusions that might prove inaccurate.

- iii. A justification as to how the employment verification process used prior to the “Oral Employment Confirmation” represents “diligent efforts.”*

RESPONSE: Campuses are directed to use the oral employment confirmation form after written documentation cannot be secured. This form is utilized to document the oral conversation/confirmation that occurs if the employer/graduate does not or is not willing to provide written confirmation. The steps prior to utilizing the Oral Employment Confirmation form are as follows:

a. As noted previously, campuses identify employment either by notification through the graduate or employer. Upon this notification, the campus will verbally confirm—either through email or the telephone—the employment information. However, the Career Services representative will enter the placement into the official student information system as a “pending” placement. During the verbal discussion, the school will inform the employer/graduate that a written confirmation form will be provided to them to complete and return;

b. The written confirmation forms are sent to employers and graduates for completion and noted in CampusVue;

c. The campus will follow up using various methods (e.g. phone, email, text) at different intervals in time (e.g. one day, every few hours, morning vs. night, etc.) to attempt to secure the written confirmation. All attempts are also noted in CampusVue;

d. Only if the school is unable to secure the written confirmation after multiple attempts, will it then attempt another oral confirmation. This confirmation will then be documented using the "Oral Employment Confirmation Form." This form is included as Exhibit 13

The multiple attempts to obtain written verification, which must be documented into CampusVue, represent "diligent efforts" on behalf of the campuses.

Since the Commission's September 15th letter, Corinthian has emphasized the need to have both the employer and graduate oral verification form completed when written verification cannot be obtained.

iv. A description of the Oral Employment Confirmation Process

RESPONSE: As detailed above in a.iii, the Oral Employment Confirmation process is described.

v. A description of any changes made to the process described above since Corinthian's last response to the Commission.

RESPONSE: Please see response above in a.iii. The updated procedure and an example of a completed oral verification form have been included as Exhibit 13.

b. A more detailed explanation as to why less than 30% of the total records reviewed in the audit of the 2013 Annual Report data could be verified by the independent third party auditor to match the school's record and justification as to why Corinthian believes that ACCSC can rely on the school's reported rates given the high percentage of records that could not be verified by the independent third-party auditor.

RESPONSE: Due to the complexity of the re-verification process and the abundant academic literature available regarding survey research design, we worked closely with Charles River Associates and, in particular, Dr. Jonathan Guryan. Dr. Guryan is an Associate Professor of Human Development and Social Policy and of Economics, Faculty Fellow at the Institute for Policy Research and a courtesy member of the Economics Department and the Kellogg School of Management at Northwestern University. He is also a Faculty Research Fellow at the National Bureau of Economic Research and a Research Consultant at the Federal Reserve Bank of Chicago. Our collaboration resulted in material insights relating to the 2013 and 2014 audits.

We explain these insights below in four parts: a review of the academic literature; an analysis of recall bias in survey data; an examination of the "unable to verify" rate by time since employment; and a regression analysis of the 2013 and 2014 Annual Reports' placement information CARS audited.

Part I: Limitations on Response Rate Identified in Review of Academic Literature

There exists substantial academic literature on survey research design. Academic studies discuss methods that contribute to high survey response rates, the range of response rates that are typical in surveys, and the difficulties researchers commonly face when attempting to survey respondents. There is consensus in this academic literature that obtaining a high response rate is both costly and difficult, that doing so requires planning (including before initial information is obtained), and that obtaining responses is more difficult and costly, and takes more time, for some respondents than others.

Baseline Difficulty of Obtaining a High Response Rate

The academic literature on survey research design concludes clearly that obtaining a high contact rate, or response rate, is difficult. Experts in survey research methodology point out that obtaining a high response rate is particularly difficult when attempting to survey the same group multiple times, something that is referred to as a longitudinal study. These studies explain that doing so requires a significant amount of time and planning, and is costly. Nurco et al. (1977)¹ noted that, “Longitudinal studies with high retention rates cannot be done cheaply.” Ribisl et al. (1996) explained, “It appears that in most studies there is a subset of participants who will require extensive time and effort to find,” and that “successful tracking of difficult-to-locate participants often takes substantial time commitment.” As Olsen (2005) succinctly summarized, “Longitudinal surveys will suffer from attrition and nothing will change that.”

Experts in survey research hold that there is no bright line response rate that is required for survey results to be considered valid. Though response rates of 70 to 80 percent are desirable, in practice response rates in academic studies vary significantly. Olsen (2005) summarizes response rates of major federally funded longitudinal studies, such as the National Longitudinal Surveys (NLS), versions which have been conducted since 1966 by the U.S. Bureau of Labor Statistics and the U.S. Census Bureau, and upon which many peer-reviewed published academic studies are based. By 1981, the NLS Young Men sample had a response rate of 65 percent, the NLS Mature Men sample had a response rate of 52.5 percent (74.8 percent corrected for mortality), the NLS Mature Women sample had a response rate of 69.7 percent (73.5 percent corrected for mortality) and the NLS Young Women sample had a response rate of 68.8 percent (69.4 percent corrected for mortality). Olsen (2005) also reports that the Survey of Program Participation, another large federally funded survey also conducted by the U.S. Census Bureau, had a response rate of 73.4 percent after three years, 58.7 percent after 4-5 years, and 53 percent after 9-10 years.

Furthermore, it has become more difficult over time to achieve high response rates as people have become more likely to refuse to participate. Experts on survey research have noted this decline. Schoeni et al. (2013) explain, “Response rates in

¹ A bibliography of the cited literature is found at Exhibit 14.

many large cross-sectional surveys in the United States have declined significantly over the past few decades, continuing a pattern that was observed for some major surveys beginning in the middle of the last century (Steeh, 1981; Curtin, Presser, and Singer, 2005; Astrotic, et al. 2001; de Leeuw and de Heer 2002).” Robert Groves, who subsequently was chosen to be the Director of the Census Bureau during the 2010 Census, wrote “Nonresponse to household surveys is growing, inflating the costs of surveys that attempt to achieve high response rates” (Groves 2006).

Experts on survey design agree that the increasing rate at which respondents refuse to participate in surveys has made it harder to achieve high response rates. Berinsky (2008) explains, “Unit non-response [the rate at which respondents do not participate in surveys] has become an increasingly serious problem over the last 40 years. Studies in the 1990s demonstrated that face-to-face surveys by academic organizations, such as the National Election Study (NES) and the General Social Survey (GSS), have non-response rates between 25 and 30%, up from 15 to 20% in the 1950s (Brehm, 1993; Luevano, 1994; Groves & Couper, 1998). Telephone surveys conducted by commercial polling houses, which produce the majority of polling information in circulation in the political world, are often even higher. For instance, in a study of polls conducted by the news media and government contractors, Krosnick, Holbrook, and Pfent (2005) found that the mean response rate for these surveys was 36%.”

With regard to the CARS re-verification efforts the difficulty in achieving a high response rate may be even more difficult than that experienced by those collecting information for a longitudinal survey such as those described above. As noted, response rates are higher after adjusting for mortality, but no similar adjustment is suggested or used for firms that no longer exist. Since approximately 20-25 percent of all firms shut down every year according to the U.S. Census Bureau, the effect on the unable-to-contact rate could be substantial. In addition, the CARS re-verification process involves a third party attempting to contact an employer for which it has no direct relationship or prior contact to collect information on an historic hire. In addition, increasing awareness and concern about privacy issues may make a third-party verification process even more difficult.

The more time that passes between the initial contact with respondents and the follow-up attempt, the lower response rates tend to be. Tracking individuals and firms becomes more difficult as time passes, in part, because contact information changes, people move, and firms close. As noted above, approximately 20-25 percent of firms shut down every year. According to the American Community Survey, a nationally representative survey conducted by the U.S. Census, between 11 and 12 percent of individuals in the U.S. move residences every year. One could have valid contact information for these firms and individuals and that contact information would not allow you to contact them a year later.

Mobility of Graduates Compounds the Problem

The academic literature on survey methods is clear that obtaining a high response rate takes time and resources. Some respondents are harder to reach than others. Respondents who are more mobile, who are more likely to change their address, phone number and contact information, and who have more demands on their time tend to be more difficult to reach. For these reasons individuals from lower socioeconomic status demographic groups tend to be more difficult to contact and survey. An example of the relationship between socioeconomic status and the difficulty of contacting can be seen in the studies that the U.S. Census Bureau conducts after every decennial census to measure rates of undercount. The undercount is the degree to which the U.S. Census misses individuals from different demographic groups in the official Census enumeration. In every census since 1980, when the Census began conducting undercount studies, the U.S. Census has undercounted African-American and Hispanic individuals at a higher rate than whites. Individuals who rent their place of residence are less likely to be counted in the Census than those who own their home (Mule, 2012).

More Contact Attempts And Longer-Duration Surveys Lead to Higher Contact Rates

Academic studies explain that achieving high response rates requires time, and that higher response rates come with more contact attempts.

Cotter et al. (2005) show that there is a strong relationship between the number of contact attempts (*i.e.*, an attempted phone call) and the response rate. Cotter et al. (2005) report response rates ranging from 20 to 40 percent from the first five contact attempts, 35 to 70 percent after 10 contact attempts, and 45 to 90 percent after 20 contact attempts. Similarly, Scott (2004) reports that two different studies showed response rates near 30 percent after 10 contact attempts, near 50 percent after 15 contact attempts, near 70 percent after 20 contacts and only reached 80 percent after 25 to 30 contact attempts. This strong relationship between the number of contact attempts and the response rate is consistent with the idea that some respondents are easier to reach while others require more time and more attempts.

As noted above in Section 1, the 2013 audit suffered both from a brief period for contacting employers and graduates as well as a small number of contact attempts. The entire calling campaign for the 2013 audit lasted a mere 23 days. In contrast, the 2014 audit lasted for 43 days and resulted in nearly a 90% response rate. The 2013 audit required the auditor to make up to a mere *nine* attempts to contact the employer before another up to *seven* attempts to contact the graduate were made. In total, only *sixteen* attempted contacts were made in the 2013 audit. In contrast, the 2014 audit required up to *thirty* employer attempts followed by up to *thirty* graduate attempts, for a total of *sixty* contact attempts. Although the lengthened time period and these increased contacts produced a number of angry graduates and employers, they

increased the response rate significantly. However, these two factors do not solely account for the improved response rate in the 2014 audit.

The academic literature on survey research methodology prescribes practices that have been found to increase researchers' ability to follow respondents over time, and increase response rates in longitudinal surveys (Desmond et al. (1995), Ribisl et al. (1996), Sullivan et al. (1996)). Experts in this area stress the importance of planning at the outset of the study to lay the groundwork for following respondents over time. Sullivan et al. (1996) explains, "Longitudinal data collection can be less daunting when a systematic program of tracking techniques is conceptualized before the research begins and is used throughout the research process (Capaldi & Patterson, 1987; Gregory, Lohr, & Gilchrist, 1992; Ribisl et al., in press; Rumpitz et al., 1991; Showstack, Hargreaves, Glick & O'Brien, 1978)."

Specific practices that are recommended include: making respondents aware that they are going to be contacted in the future (Groves (2006)), explaining the purpose of the study and conveying the mission of the research to respondents as a way to get them excited about participating and responding to future contact attempts (on this point Scott (2004) stresses, "Those who do not understand the expectations for participation or who are not properly motivated will more likely refuse to participate, be more difficult to locate, and be unresponsive to calls."), and gathering information about respondents' social networks that can be used to track respondents who change their address, phone number or other contact information over time. One example strategy that some researchers use is to ask respondents for the contact information of three people who would be able to get in touch with them if they move or their phone number changes. Sullivan et al. (1996) concludes, "... it is important to make multiple contacts with participants by phone and in person but that identifying and gaining access to participants' social and community networks is crucial to attaining high retention rates."

The importance of this up-front planning highlights the difficulty in tracking people, and businesses, over time. It also points out a difference between the conditions under which academic researchers conduct longitudinal studies and the CARS re-verification audits. Longitudinal surveys conducted for academic research purposefully plan from the outset to be able to track respondents multiple times over months or years. The response rates these planned studies are able to achieve are enhanced because the subjects knew at the time the study began that they would be attempting to resurvey people in the future. Such efforts geared toward future contact have not been utilized with Corinthian students and employers at the outset of their relationship with us. Advance planning to contact graduates and employers years after the fact is very different than maintaining documentation substantiating a placement.

Another method experts recommend as necessary for achieving high response rates is to provide monetary incentives for responding (Desmond et al. (1995), Groves (2006), Schoeni et al. (2013), Ribisl et al. (1996)). Incentives can have large effects on the likelihood that respondents will participate in the survey. Lesser et al. (1999) finds that providing incentives increased response rates in mail surveys by 15 to 20

percentage points. In fact, at least one employer has demanded such an incentive—in this case \$30 per response—in order to respond to the multiple verification requests imposed upon it by the campus, by the Placement Verification Team, by Internal Audit, by Corinthian’s regional personnel per the five-plus rule and now by a second third-party audit mandated by the Commission. With so much time-demanding contact unrelated to the employee’s core job functions, employer fatigue and incentive demands are understandable.

The academic literature helps explain the response rate to the 2013 audit (and the improved response rate to the 2014 audit).

Part II: Recall Bias in Survey Data

It is important to consider both the validity (or accuracy) and reliability of data collected using survey methods. The degree to which data is valid and reliable affects how much confidence should be placed in the data. Errors exist in all survey data; for example, the interviewer may incorrectly enter information into the computer or the survey respondent may give incorrect information, either intentionally or unintentionally. “Recall bias” is a type of bias that has been observed in survey data when individuals are asked about events that have occurred in the past. This type of error can occur because individuals asked about a past event or circumstance can forget the event, recall the event incorrectly, or recall the timing or duration of the event incorrectly.

Academic social scientists note that the degree of recall bias increases with the amount of time that has elapsed between the survey and the event or circumstance that is the subject of questioning. (See, e.g., Dex, Shirley. 1995. “The Reliability of Recall Data: a Literature Review.” *Bulletin de Méthodologie Sociologique* 49: 58-89. In the field of labor economics, a body of literature dating back several decades examines the existence of recall bias and its impact on the reliability and validity of retrospective data on employment histories. For example, research by the current Chair of the U.S. Federal Reserve Bank, Janet Yellen, documents that it is common for survey respondents in standard labor market surveys to forget that they were unemployed when asked about unemployment spells that happened in the recent past (Akerlof, George and Janet Yellen. 1985. “Unemployment Through the Filter of Memory,” *Quarterly Journal of Economics* 100(3): 747-773). Other studies that document recall bias in labor market survey data include: Evans and Leighton, 1995; Song, 2007; Mathiowetz and Duncan, 1988; and Pierret, 2001. In addition to the more customary recall bias that occurs when surveying individuals regarding their own employment histories, retrospective data that is collected from a new respondent (compared to similar data collected from an original respondent during an earlier time frame) is subject to additional error, as the new respondent may be relying on different information (i.e., employment records, personal memories) than the original respondent. (Fraser, Stuart, Francis J. Greene, and Kevin F. Mole. 2007. “Sources of Bias in the Recall of Self-Generated Data: The Role of Anchoring.” *British Journal of Management* 18: 192-208.)

Recall bias likely contributed to the results of the 2013 audit, perhaps most notably in the “placed but different” category. For additional explanation of causes for the “placed but different” rates, please see the discussion in the section entitled *Classification and Record Keeping* on page __ above

Part III: “Unable to Verify” Rate by Time Since Employment

The 2013 and 2014 audit data suggests that the age of the placement data being audited also likely contributed to the high “unable to verify” rate for the 2013 data.

In order to evaluate any effect of the staleness of employment data on the “unable to verify” rate, we measured the number of days between the later of the graduation date or the employment date and the final day of the CARS re-verification campaign. We then divided this number by 30, approximately measuring the number of months between the start of employment and the final date that CARS attempted to verify a placement. Figures 1 through 4 below illustrate the positive correlation that we found between the staleness of the placement data and the “unable to verify” rate.

An important distinction between the 2013 and the 2014 CARS audits is evident from these figures and is worth noting. In the 2013 audit, the shortest amount of time that elapsed between a placement and the end of the CARS campaign was 9 months, whereas in the 2014 audit some placements were re-verified within 3 months. The longest amount of time between placement and verification in the 2013 audit was 50 months, versus 45 months in the 2014 audit. The majority of re-verification attempts occurred within 14 and 32 months in the 2013 audit, but within 8 and 26 months in the 2014 audit. In the 2014 audit, CARS was working with data that was more recent and less stale.

Figure 1 illustrates the relationship between the staleness of data and the “unable to verify” rate using the 2013 CARS audit data by calculating an “unable to verify” rate for each 30-day bin, defined by the number of months between the start of employment and the end of the CARS campaign. For example, 50 percent of attempted placement re-verification 10 months following placement were deemed “unable to verify.” The resulting points were graphed below, with the number of 30-day periods between placement and re-verification on the horizontal axis, and the proportion of graduates “unable to verify” on the vertical axis. There was an upward slope and correlation, with more graduates becoming “unable to verify” as more time passed between placement and re-verification (*i.e.*, as the contact information became more stale). Indeed, the data exhibits an upward, logarithmic trend as illustrated below, though the coefficient on the weighted logarithmic trend is not statistically significant.

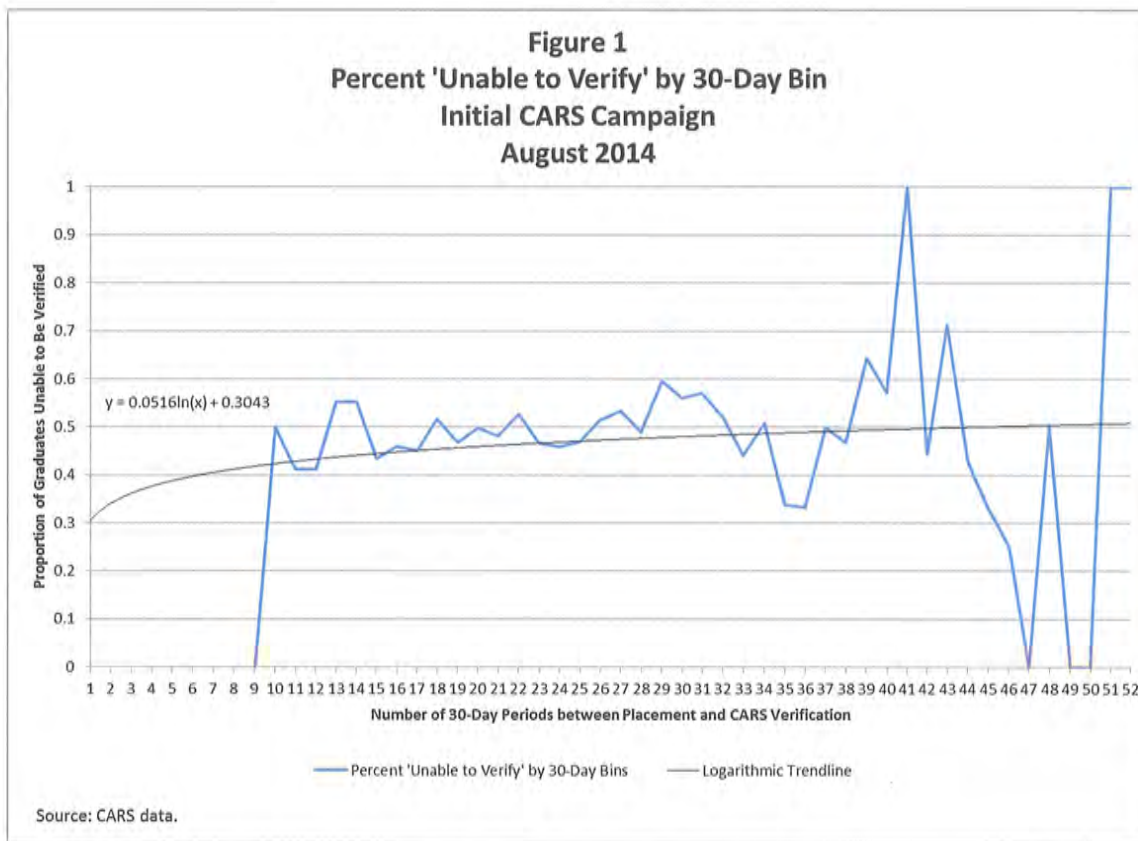
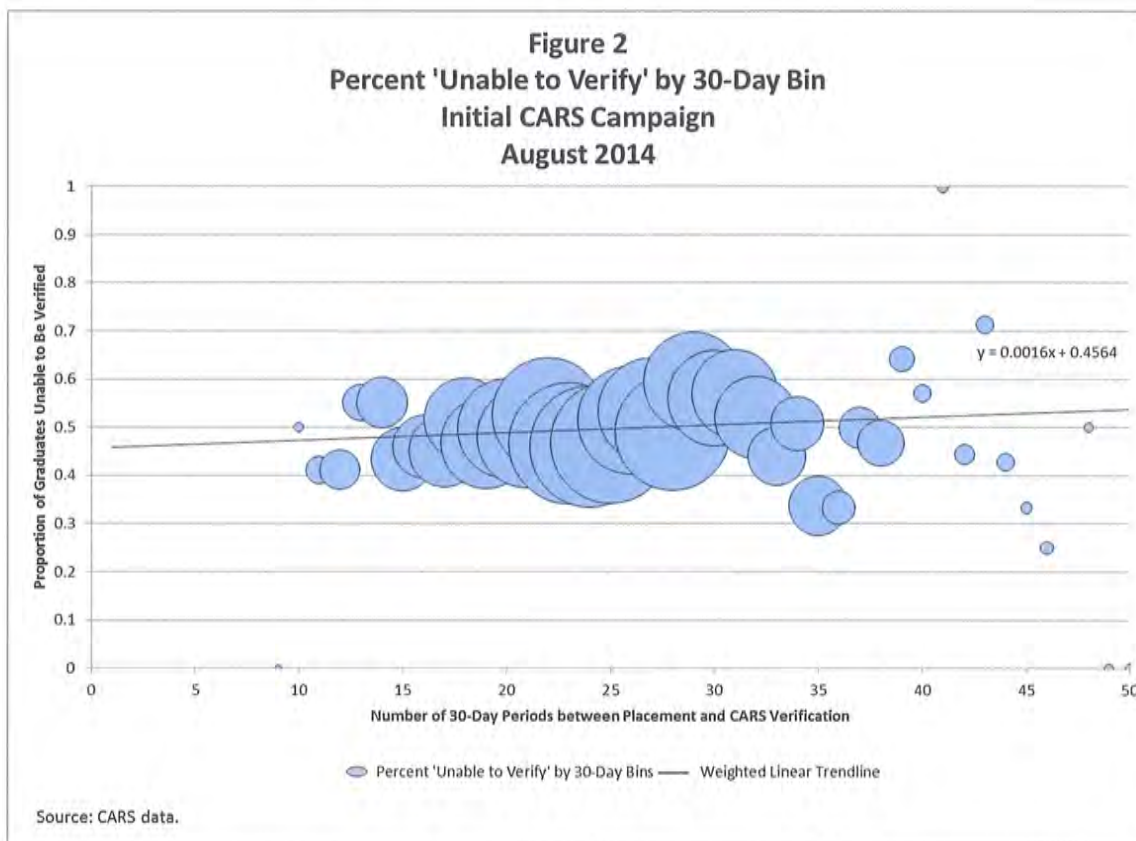


Figure 2 illustrates the same data in a slightly different manner. Here, we have the same horizontal and vertical axes as in Figure 1, but the data points are illustrated as bubbles depicted in sizes relative to the number of graduates in each month's bin. The figure shows that most graduates were re-verified between 14 and 32 months following their placement. Here, the upward trend is illustrated using a weighted trend line, though its coefficient is also not statistically significant.



In the 2014 CARS audit data, the upward time trend is both larger in magnitude and statistically significant. Importantly, the “unable to verify” rate was more strongly related to the staleness of the contact information, which suggests that as CARS increased the number of contact attempts in the new campaign, it was relatively more successful at contacting graduates and employers with more recent, less stale contact information. In other words, when CARS made more attempts (and, as the data as a whole became less stale in 2014), the “unable to verify” rate declined more for those with less stale contact information. Figure 3 is analogous to Figure 1 above, graphing the relationship between the “unable to verify” rate and the time between placement and re-verification over time, but using the 2014 CARS audit data. Here, notice that the longest period between placement and re-verification was 45 months, while in the 2013 audit, re-verification could have occurred as many as four years, two months following placement. Similarly, the shortest period between placement and re-verification was 3 months in the 2014 audit, but 9 months in the 2013 audit. The upward time-trend can be seen more clearly in the new data than in the 2013 audit data, and here the weighted logarithmic trend line is both larger in magnitude and statistically significant: the older or more “stale” the placement data, the higher the “unable to verify” rate.

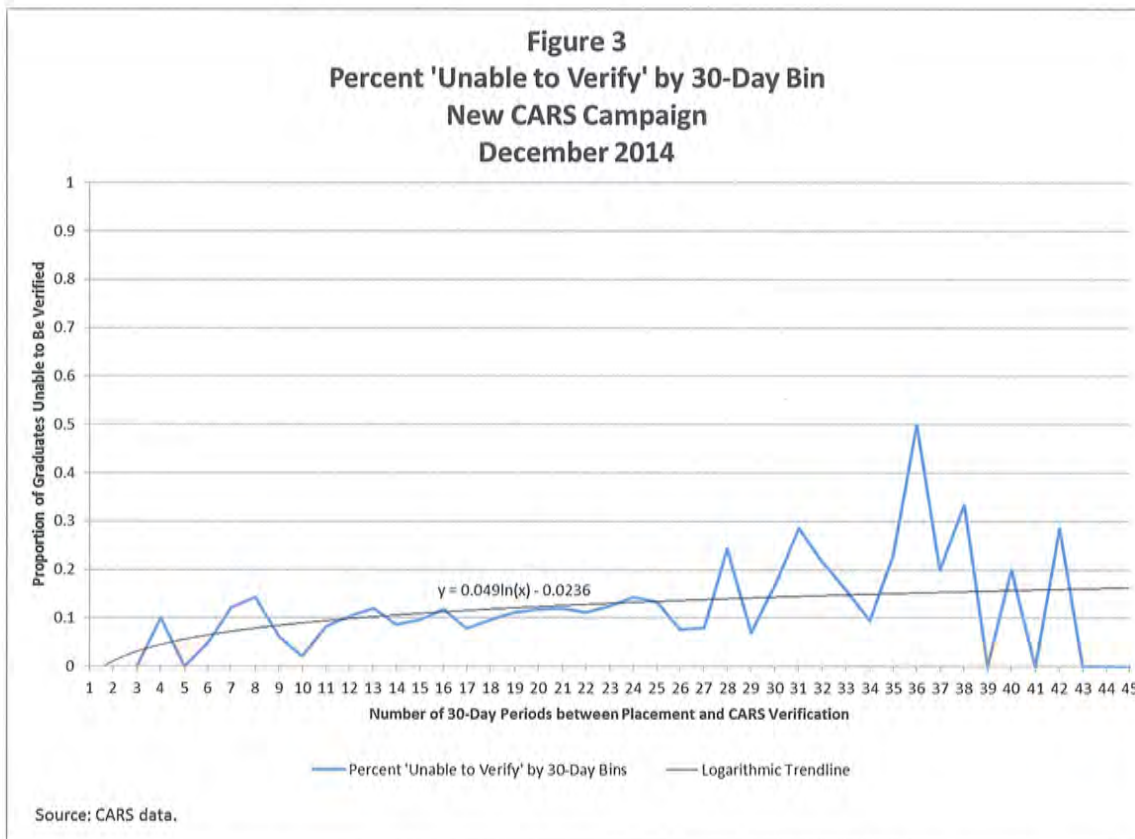
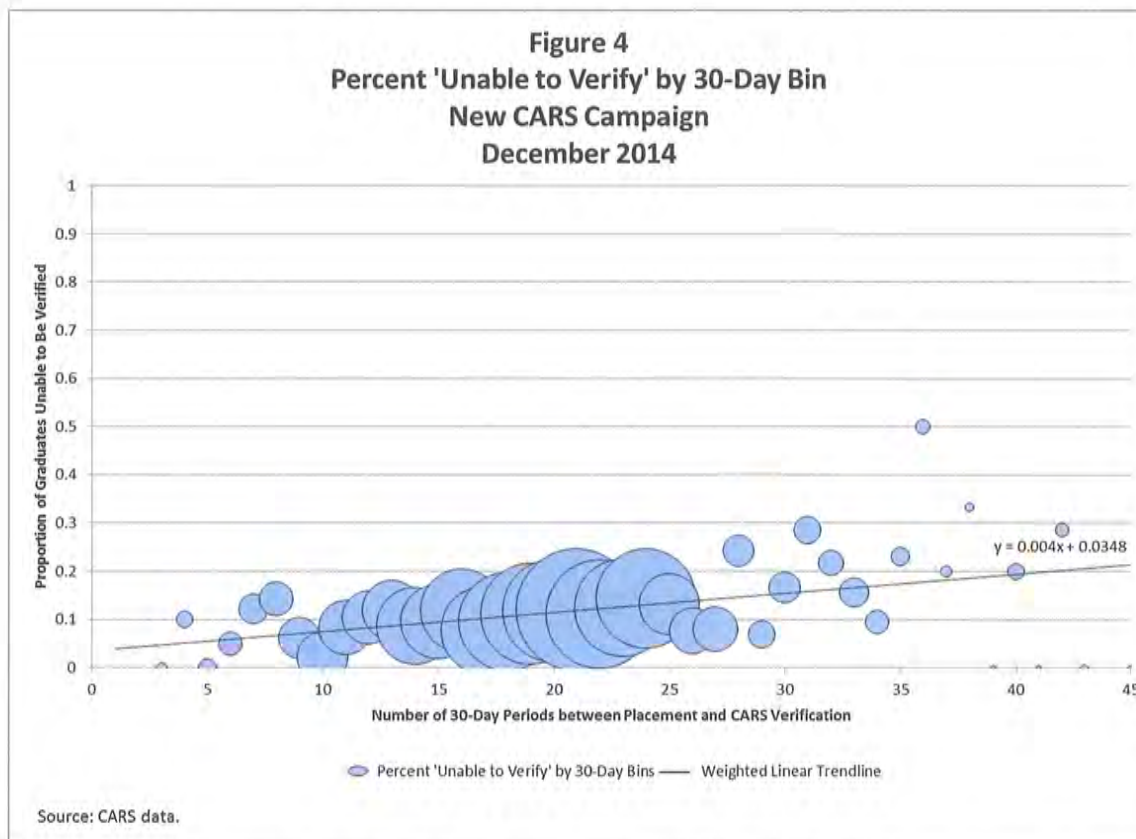


Figure 4 is analogous to Figure 2, but uses data from the 2014 CARS audit. In the 2014 audit, most graduates are re-verified between 8 and 26 months following placement. Here again, the weighted linear trend line is both larger in magnitude (steeper) than that of the 2013 CARS audit and statistically significant: the staler the data, the more unlikely CARS was able to contact the graduate or their employer and get them to participate.



The impact of the stale data due to the time lag was clearly a significant factor in the response rate in both the 2013 and 2014 audits, and the improved methodology of the 2014 audit (and more recent data) likely contributed to a higher response rate.

Part IV: Regression Analysis of 2013 and 2014 CARS Audits

Charles River Associates' analysis of data from the 2013 audit and the 2014 audit shows that the placed rate was higher, the invalid rate was essentially constant and the share of placements that CARS was unable to verify was lower in the 2014 audit as compared with the 2013 audit. In the 2014 audit, CARS attempted more calls to graduates and employers before deeming a placement "unable to verify." When CARS attempted more calls in the 2014 audit, they were able to reach more graduates and employers, and as a result the "unable to verify" rate declined and the verification rate increased. This pattern implies that those placements that CARS was unable to verify in the 2013 audit *were likely to have been valid placements*, and that had the original re-verification process included more attempts to contact the graduates and employers, these placements would have been classified as verified.

Charles River Associates conducted a statistical analysis of the 2013 and 2014 CARS audits. That analysis found that employer and student characteristics explain patterns in the likelihood a placement was deemed "unable to verify" or "invalid" in ways that should be expected given the experiences described by survey research experts in the academic literature.

Specifically, the analysis found that CARS was less likely to be able to contact employers that had changed addresses recently, were fewer than five years old, or that had a large number of employees. The analysis also found that CARS was less likely to be able to contact self-employed graduates (who had one phone number for CARS to contact rather than the typical two), graduates who had high absence rates while they were in school, and graduates who had an expected family contribution of zero (meaning they were low-income and had high financial need when they were in school). In addition, the analysis found that the more time had passed between the student's graduation and the CARS contact attempts the less likely CARS was able to contact the graduate or employer.

Together these findings suggest that contact information that was up-to-date at the time Corinthian verified placements and reported them to ACCSC had become stale by the time CARS attempted to re-verify. As time passed, companies moved and changed their contact information, graduates moved and changed their phone numbers, and there was turnover of employees at the companies where graduates were placed. The academic literature on longitudinal survey research warns that tracking survey respondents over time is particularly difficult, and statistical analysis suggests that the CARS experience was typical. The results from the 2014 CARS re-verification audit show that when more planning was possible, the data more recent and when CARS made more attempts to contact graduates and employers, it was possible to achieve a high response rate, one that would be considered high by the standards used in academic studies, and a low "invalid" rate.

The details of the statistical analysis Charles River Associates performed are as follows. They performed linear probability regression analysis to determine which, if any, characteristics of the graduate or of the firms at which the graduate was placed were associated with the likelihood that the placement would be classified as "unable to verify" or "invalid." Characteristics of the graduate were drawn from Corinthian's CampusVue database, and include the age and gender of the graduate, whether the placement was into self-employment, whether or not the graduate's expected family contribution (EFC) as a student was zero (an indicator of low income and resources prior to or during enrollment), the graduate's veteran status, the graduate's absence-rate during his or her degree program, whether the student graduated from a diploma or associate degree program, and a broad categorization of the student's field of study (based on two-digit CIP code) into "Trades and Repair Technicians," "Health," and "Other." Charles River Associates included several characteristics of the neighborhood where the graduate's campus is located: the percent of the population in the school's zip code with at least a four-year college degree, the percent of the population in the school's zip code living in the same house as last year, and the percent change in the number of employees working in the school's zip code. The former two were measured in the 2013 American Community Survey, and the latter was drawn from the County Business Patterns data, both produced by the U.S. Census Bureau. Finally, characteristics of the firm were found by matching proprietary data from Dun & Bradstreet to each graduate's CARS record by employer name, phone number, and address. These characteristics include whether the company was fewer than five years

old, whether the business recently moved, the total number of employees at all locations of the firm, and whether the graduate was working at a headquarter, branch, or the only location of the firm.

Tables 1 and 2 present analyses of the “unable to verify” rate, for the 2013 and 2014 CARS audits, respectively. Tables 3 and 4 present analyses of the “invalid” rate among those whom CARS was not unable to contact, for the 2013 and 2014 CARS audits, respectively. In each of the tables, the first column presents the coefficient, which can be interpreted as the effect that the characteristic has on the probability of the placement being found “unable to verify” or “invalid” as indicated by the table heading. The second column shows the p-value, or the statistical estimate of the probability that the effect of the variable on the “unable to verify” or “invalid” rate is zero; the lower the p-value, the less likely the relationship observed in the data is due to chance, and the more likely the variable had an effect on the “unable to verify” or “invalid” rate. The third column states whether or not the coefficient is statistically significant at the 5-percent level, a standard threshold commonly used in social science.

Tables 1 and 2 present the results of linear regressions on the probability of the placement being “unable to verify” for the 2013 and 2014 audits, respectively. The results show that characteristics of firms and students contributed to the rate at which CARS was unable to contact graduates and businesses. In the 2013 audit, CARS was 10.5 percent less likely to contact firms that recently moved addresses than firms that had not changed address. It is perhaps not surprising that it was more difficult for CARS to contact firms that had moved, since their contact information may have changed between when Corinthian submitted the placement to ACCSC and when CARS conducted the re-verification audit. CARS was also 23 percent less likely to contact graduates who were self-employed, which may have resulted from a self-employed graduate having only one phone number to contact (the graduate and employer are the same) versus other graduates having two (both a graduate and an employer phone number). Students who graduated in health fields were about 10.3 percent more likely and those who graduated in “other” fields are about 13.1 percent more likely to be “unable to contact” than graduates from technical or trade fields. This indicates that the ability to contact was related to features of the types of businesses where graduates worked; some businesses are set up in a way that makes them easier for a third-party company like CARS to get them to participate in re-verification.

Characteristics of students also contributed to the unable to contact rate in the initial campaign. Graduates who missed class more often while they were in school were more likely to be unable to contact. This result is consistent with the finding in the academic literature on survey methodology that in every survey it is harder to get some individuals than others to participate. Perhaps the types of students who miss class regularly are also the types of students who resist participating when a third-party auditor calls them.

Table 2 shows that many of the patterns of “unable to verify” rates that we found for the 2013 audit were also present in the 2014 audit. Self-employed graduates were

30.2 percent more likely to be unable to verify, and firms that recently moved were 7.7 percent more likely to be unable to contact. Similarly, graduates who missed class more often (i.e. those with a higher absence rate) were more likely to be unable to contact in the 2014 CARS audit, as they were in the initial CARS campaign. The analysis also finds that graduates who attended campuses where a higher share of the population lived in the same house as the prior year had lower unable to contact rates. In other words, CARS had more difficulty contacting graduates who attend campuses in neighborhoods where more people move every year. This result suggests that graduates who were more likely to have moved since graduation were harder to contact.

Several characteristics were significant in the 2014 audit and were not significant in the 2013 audit. Females were less likely (2.4 percent) to be “unable to verify” while graduates with an EFC of zero were more likely (3.4 percent) to be “unable to verify.” Age was also positively correlated with the “unable to verify” rate in the 2014 audit.

Table 1
Linear Probability Regression:
Firm and Graduate Factors Correlated with Placement being
'Unable to Contact'
Initial CARS Cohort

August 2014

Variable	Coefficient	Probability that the Marginal Effect is Zero	Statistically Significant ?
<u><i>Characteristics of Graduate</i></u>			
Female	-0.015	56.8%	NO
Age	0.000	81.0%	NO
Self-Employed	0.230	0.0%	YES
Expected Family Contribution of Zero	0.030	7.2%	NO
Veteran	-0.003	93.2%	NO
Absence Rate during Program	0.005	0.0%	YES
<u><i>Characteristics of Degree</i></u>			
Associate Degree	-0.069	5.8%	NO
Health Field	0.103	0.0%	YES
Other Field	0.131	0.7%	YES
<u><i>Characteristics of Campus Neighborhood</i></u>			
Percent Change in # Employed 2011-12	0.100	25.2%	NO
Percent of Population with 4-year College Degree	-0.001	8.5%	NO
Percent of Population Living in Same House as Last Year	0.000	82.9%	NO
<u><i>Characteristics of the Firm</i></u>			
Less Than 5 Years Old	0.032	10.6%	NO
Log of Total Number of Employees	0.020	0.1%	YES
HQ Location	0.040	19.2%	NO
Branch Location	-0.030	59.7%	NO
Firm Has Recently Moved	0.105	0.1%	YES

Source: Data provided by CCI, CARS, 2013 ACS, 2011 & 2012 County Business Patterns, and Dun & Bradstreet.

Note: Linear probability model with dependent variable being 'unable to verify' placement status. The initial CARS campaign consisted of 4,420 placements that CARS attempted to re-verify between May 15, 2014, and August 20, 2014. 4,394 of these were non-duplicate graduates (unique individuals) that were match to a final employment record from the CCI CampusVue system. Each one of these records was matched to characteristics of the campus neighborhood by the campus zip code. 4,270 of these records were matched to proprietary, firm-level data from Dun & Bradstreet. Female, self-employment (identified by the employment verification team's placement status), veteran status, and "expected family contribution (EFC) of zero" are indicator variables. Information on expected family contribution came from the graduate's most recently filed FAFSA. Age is measured in years and "absence rate during program" is the raw percentage of classes missed by the graduate during the course of their program. Indicator variables were included for records missing age, EFC, or absence rate information. All characteristics of the degree are indicator variables. A degree was either an associate degree or a diploma (excluded). The field of study was determined based on the 2-digit CIP code of the degree; a degree was either "trades and repair technicians" (excluded), "health", or "other." Characteristics of the campus neighborhood came from the 2013 American Community Survey 5-year estimates at the zip-code level (percent of population with at least a 4-year college degree and percent of population living in the same house as last year) and from the 2011 and 2012 County Business Patterns at the zip-code level (percent change in number employed in 2011-2012). Characteristics of the firm came from proprietary firm-level data maintained by Dun & Bradstreet, and merged onto the CARS data based on employer name, address, and phone number.

Table 2
Linear Probability Regression:
Firm and Graduate Factors Correlated with Placement being
'Unable to Contact'
New CARS Cohort

December 2014

Variable	Coefficient	Probability that the Marginal Effect is Zero	Statistically Significant ?
<u><i>Characteristics of Graduate</i></u>			
Female	-0.036	0.1%	YES
Age	0.001	3.8%	YES
Self-Employed	0.302	0.0%	YES
Expected Family Contribution of Zero	0.031	0.1%	YES
Veteran	-0.032	6.6%	NO
Absence Rate during Program	0.002	0.1%	YES
<u><i>Characteristics of Degree</i></u>			
Associate Degree	0.056	1.4%	YES
Health Field	0.005	60.6%	NO
Other Field	-0.012	48.2%	NO
<u><i>Characteristics of Campus Neighborhood</i></u>			
Percent Change in # Employed 2011-12	0.054	34.1%	NO
Percent of Population with 4-year College Degree	0.000	50.4%	NO
Percent of Population Living in Same House as Last Year	-0.002	0.1%	YES
<u><i>Characteristics of the Firm</i></u>			
Less Than 5 Years Old	0.022	5.1%	NO
Log of Total Number of Employees	0.000	91.1%	NO
HQ Location	-0.007	68.9%	NO
Branch Location	-0.066	9.7%	NO
Firm Has Recently Moved	0.077	0.1%	YES

Source: Data provided by CCI, CARS, 2013 ACS, 2011 & 2012 County Business Patterns, and Dun & Bradstreet.

Note: Linear probability model with dependent variable being 'unable to verify' placement status. The new CARS campaign consisted of 5,254 placements that CARS attempted to re-verify between October 21, 2014, and December 20, 2014. 4,998 of these were non-duplicate graduates (unique individuals) that were matched to a final employment record from the CCI CampusVue system. Each one of these records was matched to characteristics of the campus neighborhood by the campus zip code. 4,937 of these records were matched to proprietary, firm-level data from Dun & Bradstreet. Female, self-employment (identified by the employment verification team's placement status), veteran status, and "expected family contribution (EFC) of zero" are indicator variables. Information on expected family contribution came from the graduate's most recently filed FAFSA. Age is measured in years and "absence rate during program" is the raw percentage of classes missed by the graduate during the course of their program. Indicator variables were included for records missing age, EFC, or absence rate information. All characteristics of the degree are indicator variables. A degree was either an associate degree or a diploma (excluded). The field of study was determined based on the 2-digit CIP code of the degree; a degree was either "trades and repair technicians" (excluded), "health", or "other." Characteristics of the campus neighborhood came from the 2013 American Community Survey 5-year estimates at the zip-code level (percent of population with at least a 4-year college degree and percent of population living in the same house as last year) and from the 2011 and 2012 County Business Patterns at the zip-code level (percent change in number employed in 2011-2012). Characteristics of the firm came from proprietary firm-level data maintained by Dun & Bradstreet, and merged onto the CARS data based on employer name, address, and phone number.

Tables 3 and 4 present analyses of the likelihood of placements being deemed “invalid” by CARS, among those placements that CARS was able to contact. The previous analyses investigated patterns in the ability of CARS to contact graduates and employers; these analyses investigate patterns of verification among those CARS was able to contact. The overall “invalid” rate was low in both the 2013 and 2014 CARS audits. The analyses in tables 3 and 4 investigate an outcome that occurred infrequently, but show which student and employer characteristics were associated with this infrequent outcome happening relatively more often. Table 3 shows results for the 2013 CARS audit. The results show that the placement of a self-employed graduate was 25.3 percent more likely to be found “invalid” than that of a non-self-employed graduate.

Table 4 presents similar results for the 2014 audit. The results show that in the 2014 audit, the placement of a self-employed graduate was actually 4 percent *less* likely to be found “invalid” than that of a non-self-employed graduate. Additionally, the placements of graduates working at firms fewer than five years old were 2 percent more likely to be considered “invalid.” Other statistically significant graduate characteristics include an EFC of zero (1.3 percent more likely to be “invalid”) and the absence rate during the program (a 10 percentage-point increase in the absence rate is associated with a 1 percentage-point increase in the probability of being “invalid”). Additionally, placements at firms that had recently moved were 5.1 percent more likely to be deemed “invalid.”

Table 3
Linear Probability Regression:
Firm and Graduate Factors Correlated with Placement being 'Invalid'
Initial CARS Cohort

August 2014

Variable	Coefficient	Probability that the Marginal Effect is Zero	Statistically Significant ?
<u>Characteristics of Graduate</u>			
Female	0.005	78.3%	NO
Age	0.001	9.7%	NO
Self-Employed	0.253	3.8%	YES
Expected Family Contribution of Zero	0.010	39.6%	NO
Veteran	-0.009	67.8%	NO
Absence Rate during Program	0.001	14.4%	NO
<u>Characteristics of Degree</u>			
Associate Degree	0.002	93.5%	NO
Health Field	0.018	36.7%	NO
Other Field	-0.044	14.1%	NO
<u>Characteristics of Campus Neighborhood</u>			
Percent Change in # Employed 2011-12	-0.074	35.6%	NO
Percent of Population with 4-year College Degree	0.000	77.3%	NO
Percent of Population Living in Same House as Last Year	0.000	93.4%	NO
<u>Characteristics of the Firm</u>			
Less Than 5 Years Old	0.028	6.1%	NO
Log of Total Number of Employees	-0.003	41.3%	NO
HQ Location	-0.032	6.5%	NO
Branch Location	-0.015	73.3%	NO
Firm Has Recently Moved	0.009	73.1%	NO

Source: Data provided by CCI, CARS, 2013 ACS, 2011 & 2012 County Business Patterns, and Dun & Bradstreet.

Note: Linear probability model with dependent variable being 'invalid' placement status. The initial CARS campaign consisted of 4,420 placements that CARS attempted to re-verify between May 15, 2014, and August 20, 2014. 4,394 of these were non-duplicate graduates (unique individuals) that were matched to a final employment record from the CCI CampusVue system. Each one of these records was matched to characteristics of the campus neighborhood by the campus zip code. 4,270 of these records were matched to proprietary, firm-level data from Dun & Bradstreet. Female, self-employment (identified by the employment verification team's placement status), veteran status, and "expected family contribution (EFC) of zero" are indicator variables. Information on expected family contribution came from the graduate's most recently filed FAFSA. Age is measured in years and "absence rate during program" is the raw percentage of classes missed by the graduate during the course of their program. Indicator variables were included for records missing age, EFC, or absence rate information. All characteristics of the degree are indicator variables. A degree was either an associate degree or a diploma (excluded). The field of study was determined based on the 2-digit CIP code of the degree; a degree was either "trades and repair technicians" (excluded), "health", or "other." Characteristics of the campus neighborhood came from the 2013 American Community Survey 5-year estimates at the zip-code level (percent of population with at least a 4-year college degree and percent of population living in the same house as last year) and from the 2011 and 2012 County Business Patterns at the zip-code level (percent change in number employed in 2011-2012). Characteristics of the firm came from proprietary firm-level data maintained by Dun & Bradstreet, and merged onto the CARS data based on employer name, address, and phone number.

Table 4
Linear Probability Regression:
Firm and Graduate Factors Correlated with Placement being 'Invalid'
New CARS Cohort

December 2014

Variable	Coefficient	Probability that the Marginal Effect is Zero	Statistically Significant ?
<u><i>Characteristics of Graduate</i></u>			
Female	0.004	56.1%	NO
Age	0.001	7.8%	NO
Self-Employed	-0.042	0.0%	YES
Expected Family Contribution of Zero	0.013	2.6%	YES
Veteran	0.000	97.0%	NO
Absence Rate during Program	0.002	0.1%	YES
<u><i>Characteristics of Degree</i></u>			
Associate Degree	-0.010	28.7%	NO
Health Field	-0.003	63.0%	NO
Other Field	0.014	23.5%	NO
<u><i>Characteristics of Campus Neighborhood</i></u>			
Percent Change in # Employed 2011-12	0.009	83.1%	NO
Percent of Population with 4-year College Degree	0.000	49.2%	NO
Percent of Population Living in Same House as Last Year	0.000	31.7%	NO
<u><i>Characteristics of the Firm</i></u>			
Less Than 5 Years Old	0.020	1.8%	YES
Log of Total Number of Employees	-0.004	9.6%	NO
HQ Location	-0.007	48.4%	NO
Branch Location	-0.001	94.6%	NO
Firm Has Recently Moved	0.051	1.1%	YES

Source: Data provided by CCI, CARS, 2013 ACS, 2011 & 2012 County Business Patterns, and Dun & Bradstreet.

Note: Linear probability model with dependent variable being 'invalid' placement status. The new CARS campaign consisted of 5,254 placements that CARS attempted to re-verify between October 21, 2014, and December 20, 2014. 4,998 of these were non-duplicate graduates (unique individuals) that were matched to a final employment record from the CCI CampusVue system. Each one of these records was matched to characteristics of the campus neighborhood by the campus zip code. 4,937 of these records were matched to proprietary, firm-level data from Dun & Bradstreet. Female, self-employment (identified by the employment verification team's placement status), veteran status, and "expected family contribution (EFC) of zero" are indicator variables. Information on expected family contribution came from the graduate's most recently filed FAFSA. Age is measured in years and "absence rate during program" is the raw percentage of classes missed by the graduate during the course of their program. Indicator variables were included for records missing age, EFC, or absence rate information. All characteristics of the degree are indicator variables. A degree was either an associate degree or a diploma (excluded). The field of study was determined based on the 2-digit CIP code of the degree; a degree was either "trades and repair technicians" (excluded), "health", or "other." Characteristics of the campus neighborhood came from the 2013 American Community Survey 5-year estimates at the zip-code level (percent of population with at least a 4-year college degree and percent of population living in the same house as last year) and from the 2011 and 2012 County Business Patterns at the zip-code level (percent change in number employed in 2011-2012). Characteristics of the firm came from proprietary firm-level data maintained by Dun & Bradstreet, and merged onto the CARS data based on employer name, address, and phone number.

In short, there are many statistically supportable and literature-explained reasons why the 2013 audit results were what they were. Importantly, these reasons are independent of deficiencies in Corinthian's underlying data, and relate to the audit methodology and to the characteristics of the employers and people involved.

- c. *An analysis as to the efficacy of Corinthian's second-level review conducted by the "independent employment verification team at the CSC" in identifying and correcting the types of errors and inaccuracies found by the independent third-party auditor as described in this letter and a justification as to why the commission can rely on this process to produce accurate reporting.*

RESPONSE: Corinthian is proud of its secondary placement verification, also referred to as re-verification, which is a voluntary additional step added to ensure the accuracy of its reporting, above and beyond what Corinthian's accreditors and other regulators require. The Campus Support Center Employment Verification Team, which consists of 15 staff members, one verification manager, one quality assurance and training manager and one director, is located apart from the campuses which initially input placement data. To demonstrate job responsibilities and reporting structure, job descriptions for each position as well as the organizational chart are attached as Exhibit 15.

As noted above, the Employment Verification Team, before 2014, attempted to re-verify 100% of placements entered by campuses into CampusVue. Typically the Employment Verification Team was able to re-verify 85-90 percent of the placements that the campuses had previously verified. The Employment Verification Team attempted to re-verify the placements by contacting the employer and/or the graduate to ensure that the information was accurate. In particular, the team sought to determine: (1) whether the placement data on file matched information provided by employers and graduates; and (2) whether the placement met accreditor standards. Placements failing to meet these standards in this process were removed from the system. In this way, the Employment Verification Team identified and corrected errors and inaccuracies, including those ostensibly identified in the 2013 CARS audit.

Also as described above, between May 2013 and March 2014 a new process was implemented which systemically prevented the entry of placement into CampusVue until the placement has been re-verified by the Employment Verification Team. This ensures that 100 percent of all placements in the system have been re-verified. Importantly only re-verified placements are used for internal and external reporting purposes. During the re-verification process if a discrepancy arises, the placement is classified as an "Open Verification," requiring the campus to either remove the "pending" placement or submit additional documentation to demonstrate to the Verification Team that the placement should remain. As before, however, if the Employment Verification Team and the campus are unable to resolve the status of the placement, an "Appeals Panel" provides the final level of review. Campuses requesting an appeal must submit all documentation as well as an appeal form, attached as Exhibit

16, describing the rationale for appealing the Employment Verification team's determination. The Appeals Panel consists of members of the Compliance, Accreditation & Licensing Departments and a neutral field representative.

Corinthian believes that the improved process has increased not only the contact rate with employers by reducing the time between hiring of the graduate and contact by the Employment Verification Team, but has also increased the accuracy of the placement data. In sum, the Employment Verification Team has reduced potential issues with incomplete and inaccurate documentation and has enhanced accuracy in counting proper placements by closer examination of job titles, job duties, and sustainability of employment.

- d. *With regard to the 2013 Annual Report data, provide re-calculated Graduation and Employment Charts where Corinthian has re-classified the employment status of any graduates based on the general findings outlined in this letter (e.g., the employment does align to the majority of the program objectives, is not sustainable, etc.). Provide a matrix which shows the rate previously reported against the newly calculated rate and an explanation as to the reason(s) for the differences.*

RESPONSE: After reviewing the audit from the 2013 Annual Report, Corinthian found three out of 4,293 placements submitted to CARS we now believe to be "out of field." This amounts to an overall change of 0.00069%. All three placements have been removed from CampusVue. Based on this finding, two Graduation and Employment Charts have been updated and are included as Exhibit 17. A matrix outlining the changes is below:

School	Program	Reported Placed	Reported Available Grads	Reported Placement Percent	Adjusted Placed	Adjusted Available	Adjusted Percentage
Atlanta West	MA	53	108	49%	52	108	No change
Fremont	Motorcycle Technology	21	30	70%	20	30	67%
Fremont	Commercial HVAC	73	108	68%	72	108	67%

As the Commission can see, this change did not move the campuses below a required benchmark. Because the 2014 ACCSC disclosures are already posted on the campuses' websites and because the differences were so minor, there were no revisions to the 2013 disclosures. With the new centralized verification process implemented as described above in section c, these types of errors, immaterial as they may be, are less likely to occur.

- e. *An independent Third-Party Audit for at least 33% of Employment Records for the Graduate and Employment Charts submitted in the 2014 Annual Report by each ACCSC-accredited Corinthian school.*
 - i. *The audit must be conducted by an acceptable third party. The independent third-party auditor must secure or attempt to secure verification from the employer or the graduate either verbally or in writing for at least 33% of the graduate employment data for each program at each school submitted in the school's 2014 ACCSC Annual Report.*

RESPONSE: Corinthian contracted with CARS to conduct the third-party placement review of at least 33% of the school's 2014 ACCSC Annual Report. CARS is headquartered in Birmingham, Alabama and is an ACCSC-approved auditor. Please see CARS audit report in Exhibit 1.

- ii. *Corinthian must submit minimally the following information for each ACCSC-accredited institution:*
 - a. *A detailed description as provided by the independent third-party auditor of the methodology, scope, and specific investigative processes used to select the sample and to verify the placements at Corinthian's ACCSC-accredited schools;*

RESPONSE: In Appendix I to its December 21, 2014 letter to the Commission, CARS provided a detailed description of the methodology, scope and specific investigative processes that it used to select the sample and verify placements at Corinthian's ACCSC-accredited campuses. That description is incorporated herein. Please see CARS report in Exhibit 1.

- b. *A signed certification from the independent third-party auditor attesting to the accuracy of the information;*

RESPONSE: A copy of CARS' signed certification is included in Exhibit 1.

- c. *A list of all the employment records selected for verification organized by campus location and by program;*

RESPONSE: A copy of the spreadsheet listing the employment records selected for verification is included in Exhibit 1. The spreadsheet was also attached as Appendix II to CARS' December 21, 2014 letter to the Commission.

- iii. *The audit findings are to be grouped by campus location and by program including the following for each employed graduate in the sample:*

- *The graduate name, place of employment and descriptive job title/position*
- *Status/Results*
- *The source of that verification*
- *The date of the verification*
- *How long the graduate has been in the position*
- *Reason Placement in Not Accurate*
- *Reason for Unable to Verify*
- *A detailed summary of the findings per school location, by program, including:*
 - *The number of inaccurate placements*
 - *The number of placement unable to verify*

RESPONSE: A copy of the audit findings is included in Exhibit 1, organized as directed.

iv. Corinthian must submit, based upon the findings of the audit, the following:

- a. An explanation for any student which the school reported as employed in a training related field that the independent third-party verified as not accurate;*

RESPONSE: We consider “verified as not accurate” to apply to both “invalid” and “placed but different” CARS’ categories. Please see Exhibit 18 for an explanation of placements that were deemed “invalid” by CARS. Additionally, CARS classified other placements as “placed but different.” Please see Exhibit 19 for an explanation of placements that were deemed “placed but different” by CARS. The vast majority of the differences between Corinthian’s records and CARS’ audit findings relate to variances in job title and start date. We address both below.

Job titles slightly vary during the verification process depending on the employee we speak to at the work site. For example, in the 2014 audit, varying job titles included: Part-time Back Office vs. Front and Back Office; Lube Technician vs. Automotive Technician; Manager vs. Supervisor; Technician 3 vs. Entry-Level Technician; Line Lead vs. Shop Assistant; Sterile Processing Tech vs. Surgical Technician. In all of these examples, CARS labeled those placement records “placed but different.” In the 2014 audit, 35.5% of CARS’ “placed but different” designation contained corrected job titles. The majority appear to be immaterial title differences such as these.

As stated earlier, Corinthian finds these differences immaterial and asks the Commission to consider the following scenarios:

1. *Employers change job titles:* Many employers change job titles for various reasons. Some employers, specifically smaller organizations, where there are no standard human resources practices, one person might call the

employee a “manager” and another may refer to them as a “supervisor.” These terms are interchangeable and synonymous;

2. *Employees may change jobs:* Graduates may change jobs during their tenure with the same employer. An individual may be hired in as a “supervisor” at the onset of the position, but over time may move into a new role and as such job titles may change. When the campuses recorded the information, it was accurate as of the data entry date, but by the time a third-party auditor re-verifies, in some cases years later, the graduate’s job may have changed. In addition, third-party auditors do not ask qualitative and/or probing questions to understand those changes. The auditor simply asks “Is your job title a Medical Administrative Assistant?” and if the graduate states “No, my title is a Medical Office Specialist” the record is labeled “placed but different” even though the placement meets policy and accreditation standards;
3. *Third-Party Verification Systems:* Differences in job title might also be the result of information gathered from third-party verification systems, such as The Equifax Work Number. The Work Number typically includes a generic job title such as “Service Representative II” when the employer or graduate might actually be titled a “Sales Manager.” The job duties remain the same, but the title varies due to the party recording it; and
4. *Data Entry Errors:* Job titles are often entered into the system via drop-down menus in the software. Inadvertently clicking on the incorrect job title can lead to data entry errors. For example, “massage therapist” is found on the drop-down menu just below “medical assistant.” The close proximity on the menu can lead to accidentally selecting inaccurate job titles for certain graduates.

We recognize that there are some title discrepancies that appear more significant. We believe the majority of these significant title discrepancies are addressed by the four points immediately above.

The other broad category relating to the descriptor “verified as not accurate” is the start date. More than half the 2014 audit’s “placed but different” placements related to variations in start date. Nearly 40% of these involved a variation of fewer than seven days. There are a variety of reasons explaining differences in the start date as found in the student records and as reported to the auditor. These reasons include data entry error (which we believe explains variations of more than a year, especially where key pads have consecutive numbers adjacent to each other), recall bias as explained above, confusion regarding start date by an employer or graduate when an externship led to employment, employees entering the verification date instead of the employment start date, to name a few.

In total, approximately 86% of the “placed but different” placements were so categorized by CARS due to immaterial variations in job title or starting date. We

believe the non-substantive nature of these variances result in a reasonable verification of these placements as they satisfied the Commission's employment definition, including requirements of utilizing the skills learned in school in a position that was intended to be sustainable while earning an income.

- b. *An explanation for any program where the independent third-party is unable to verify 20% or more of the sample records due to an inability to contact either the employer or the graduate;*

RESPONSE: Corinthian calculates the correct unable-to-contact percentage by subtracting from 100% the following: the verified-as-placed percentage plus the placed-but-different percentage plus the invalid percentage (the sum of all categories where contact was made). Please see Exhibit 20 for a program-by-program explanation regarding the 54 programs where CARS could not contact for re-verification at least 80 percent of the placements. The reasons detailed in section b.1 above largely explain the lower contact rate. We note that the overall contact rate for all programs exceeded this 80% threshold.

- f. *A matrix that shows the graduate employment statistics reported to students aligned with the graduate data reported to ACCSC for each program grouped by campus location based on the data reported in the 2013 and 2014 Annual Reports.*

RESPONSE: Please see Exhibit 21 for the 2013 and 2014 Annual Reports with signatures.

- g. *An explanation for any employment rate disclosed to students that differed from the rate reported to ACCSC, if any.*

RESPONSE: Employment rates included in the 2014 Annual Report did not differ from employment rates disclosed to students.

- h. *Attestations from each school signed by the school director that the employment rate information submitted to ACCSC and disclosed to students has been, to the best of their knowledge and belief, truthful and accurate as well as an attestation from the CEO of Corinthian stating the same on behalf of the system of schools.*

RESPONSE: Signed attestations from each campus are included in Exhibit 21. We note that the signed attestations from Everest in Brighton, Massachusetts and in North Aurora, Illinois are not included as both campuses are closed. Please find the attestation of Jack Massimino, Corinthian's Chief Executive Officer, in Exhibit 22.

- i. *Additional information that the school believes will assist the Commission in making a determination regarding the school's compliance with accrediting standards in the area cited above.*

We believe we have provided sufficient information to demonstrate our compliance with the Commission's standards.

2. Financial Soundness, Compliance with Other Regulatory Agencies, and Ongoing Operations

Preliminary Background: On November 20, 2014, Corinthian signed a definitive agreement with non-profit Zenith Education Group, Inc. (Zenith), an affiliate of ECMC Group, Inc. (ECMC Group) under which Zenith will acquire 56 Everest and WyoTech campuses in 17 states as well as online programs. Under the agreement Zenith will also acquire 12 schools that are currently being taught out and closed, and will continue the teach-out process until complete. In total, the schools being purchased represent all of Corinthian's U.S.-based Everest and WyoTech campuses located outside of California. The acquisition is expected to close in January 2015, subject to regulatory approvals and other conditions.

Corinthian also owns Heald College, which has 12 campuses in three Western states; 13 Everest and WyoTech campuses in California; and 14 Everest campuses in Ontario, Canada. Collectively, these 39 schools serve approximately 20,000 students. Ten of these campuses are accredited by ACCSC. Corinthian expects to continue to operate these schools until it finds suitable buyers for them.

- a. *Audited financial statements for the fiscal year ended June 30, 2014 in accordance with ACCSC Instructions for the Preparation and Submission of Financial Statements and related information.*

RESPONSE: As previously disclosed in a Report on Form 8-K attached as Exhibit 23, filed with the U.S. Securities and Exchange Commission (the "SEC"), on July 7, 2014, Corinthian entered into an Operating Agreement, subsequently amended (the "Operating Agreement") with the U.S. Department of Education ("ED") which became effective on July 8, 2014, and which, among other things, required Corinthian to produce certain documents within certain time periods, provide certain financial and other information to an independent Monitor and to subject a large part of Corinthian's operations and financial activities to oversight by that Monitor, to teach out and close 12 of its schools, and to pursue selling the remainder of its Title IV-eligible schools. The efforts required to comply with the terms of the Operating Agreement have put significant constraints on Corinthian's resources, preventing it from obtaining and compiling the information required to complete and file its Annual Report on Form 10-K for the fiscal year ended June 30, 2014 in a timely manner. Nevertheless, as described below, Corinthian has been compiling and producing to the Monitor weekly cash flow projections and variance reports that detail the current financial situation at Corinthian.

Corinthian is acutely aware of its responsibility to provide audited financial statements to its regulators, including ACCSC, annually and as such we are currently working to engage an audit firm with the intent of having audited financial statements available for submission to the Commission.

- b. A Management Discussion and Analysis examining and explaining the school's current financial condition to include:*
 - i. A discussion that addresses the school's financial performance goals and results;*

RESPONSE: As has been well documented, the unprecedented actions taken by the Department of Education in its letter of June 12, 2014 created a liquidity crisis that threatened the survival of Corinthian and its schools. Relentless cash management became the focus of management and continues going forward. Put simply, management's goal is to survive until a sale of the assets is concluded. Exhibit 24 is a cash flow projection through the end of fiscal 2015 (June 30, 2015). *We ask for confidential treatment of this sensitive business information, including reasonable advance notice if the Commission intends to release this to another entity or person.* The cash flow assumes that all Corinthian assets outside of California will be sold in early January. Corinthian will then be comprised of Everest and WyoTech in California, Heald College, and the Canadian schools. Corinthian continues to work aggressively to sell the remaining schools as quickly as possible. The cash flow illustrates Corinthian's ability to meet its obligations, particularly to students.

- ii. A financial improvement plan;*

RESPONSE: As discussed above, in the Operating Agreement entered into with ED, Corinthian agreed to pursue selling its remaining schools. As the Commission is aware, Corinthian has entered into an Asset Purchase Agreement with Zenith Education for the sale of all the Everest and WyoTech schools located outside of California and Canada. The successful completion of the transaction will ensure that students attending those schools are able to complete their education and meet their career goals. Corinthian continues to work aggressively to sell the remaining assets as quickly as possible. Interest has been expressed and there are active discussions with several potential purchasers for the schools.

- iii. *Anticipated future demands, events, conditions, and trends that impact the school;*

RESPONSE: It is important to note that the Operating Agreement does not require that Corinthian sell all of its schools, but rather that we actively pursue the sale of the remaining U.S.-based schools. Nevertheless, it is Corinthian's view that the sale of all of its remaining schools is the only viable alternative to ensure all students have the opportunity to complete their education and meet their career goals. We continue to work diligently to ensure that happens. It is also important to note that while ten Everest and WyoTech schools located in California are currently accredited by the Commission, Corinthian is in the process of changing their accreditation to ACICS pursuant to a plan that has been vetted with ED. This change will streamline the accreditation of Corinthian's institutions in California and help facilitate a sale. ACICS has already granted initial accreditation to these ten locations. ED has indicated that it will address reassignment of the primary institutional accreditor to ACICS for these locations after the closing of the Zenith transaction, after which we will seek the withdrawal of accreditation by the Commission for these locations.

- iv. *Specific comments relative to the school's financial position and condition, its revenues and costs, assets, and liabilities, and other obligations and commitments;*

RESPONSE: As discussed in the response to Item i above, attached is the business-sensitive, confidential Exhibit 24 which projects Corinthian's cash flows through June 30, 2015. Inherent in those cash flow projections are the revenues and costs of the enterprise as well as the conversion of assets and liabilities into cash on a go-forward basis. These amounts are identified in detail on pages 8-13 of the Exhibit and demonstrate Corinthian's continuing financial viability.

- v. *A discussion regarding how Corinthian believes it will be able to continue to operate and fulfill its obligations to students.*

RESPONSE: Corinthian believes the obligation to those students attending the Everest and WyoTech schools, excluding California and Canada, will be met by Zenith Education after the sale of the schools has been concluded in early January 2015. We believe Corinthian will be able to meet its obligations to the remaining students as the go forward entity is anticipated to be cash flow positive. Corinthian expects to continue to operate the remaining schools until it finds suitable buyers for them.

- c. *An update on any regulatory actions being taken by any regulatory agency.*

RESPONSE: There have been no material developments on any regulatory actions taken by any regulatory agency.

- d. *An update on any actions (legal or other) being taken by any governmental authority.*

RESPONSE: There have been no material actions, legal or otherwise, taken by any governmental authority, that have not been previously disclosed to the Commission.

- e. *A description of the process being followed with the U.S. Department of Education Monitor regarding the sale of Corinthian campuses and the current status of the sale of any Corinthian campuses.*

RESPONSE: Pursuant to the Operating Agreement effective July 8, 2014, as amended, former United States Attorney Patrick Fitzgerald of the law firm Skadden, Arps, Slate, Meagher & Flom LLP was appointed an independent Monitor over Corinthian and its operations. Corinthian has provided full access to all documents and records requested by the Monitor. The Monitor, with the assistance of the accounting firm Weworski & Associates, reviews and verifies the Title IV federal fund draws made by Corinthian on a weekly basis. The Monitor also receives and reviews with Corinthian and its restructuring consultants a 13-week projected cash flow statement that is updated weekly and that also includes a weekly variance report. These statements include a summary of both Title IV and non-Title IV cash receipts and disbursements to enable the Monitor to determine whether expenditures made each week are allowable. A copy of the most recent 13-week cash flow statement provided to the Monitor is attached as Exhibit 25. *We ask for confidential treatment of this sensitive business information, including reasonable advance notice if the Commission intends to release this to another entity or person.*

The Monitor also has met with and regularly reviews with Corinthian teach-out plans to ensure that they are being implemented in accordance with their terms. The Monitor also receives from Corinthian on a regularly scheduled basis information concerning student complaints, student disclosures proscribed by the Operating Agreement, litigation matters, material developments with its financial situation and lenders, and other matters that come to the attention of the Monitor. Regular meetings include a telephonic weekly meeting with between the Monitor and Corinthian's CEO, General Counsel, outside counsel, and outside restructuring firm to review open items.

- f. *Updated Institutional Teach-out plans as necessary due to changing circumstances or a Corinthian decision to close a campus.*

RESPONSE: There have been no changed circumstances to the status of the schools therefore we have not updated any teach-out plans since our original submission to the Commission.

Summary

As noted above, the 2014 audit results were measurably better than those of the 2013 audit. This improvement resulted from the implementation of fundamental elements gleaned from a variety of studies on key constructs regarding survey design.

These important elements clearly impacted the outcomes of the 2013 audit as well as the present, much more robust metrics achieved in the 2014 audit. For example, recency, frequency, resources, demographics and duration of the audit period all factor significantly into response rates. Importantly, the concerns expressed by the Commission regarding the 2013 audit results *relate more to deficiencies with the audit process itself than with the integrity of Corinthian's underlying data, procedures and processes.*

At Corinthian we continue to believe that our goals, our policies and practices regarding placement verification have met or exceeded our peers in the industry. They have evolved on an upward improvement slope over time. We firmly believe this audit result contradicts and refutes the unprecedented negative and distorted press accounts and unfounded government allegations. We appreciate the opportunity to respond to the Commission.

As requested by the Commission, this report thoroughly responds to all issues raised. Corinthian hopes that we have restored the Commission's trust in our organization and have made a strong statement through our actions that we have always been committed to and continue to be committed to compliance. Further, we believe the results of the third-party audit by CARS and the updates provided herein warrant the removal of the System-wide Warning.



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December 31, 2014

Michale S. McComis, Ed.D.
Executive Director
Accrediting Commission of Career Schools and Colleges
2101 Wilson Boulevard, Suite 302
Arlington, Virginia 22201

Re: Corinthian's Response to the Commission's September 15th Letter

Dear Dr. McComis:

Corinthian Colleges ("Corinthian") responds to the Commission's letter placing our ACCSC-accredited campuses on system-wide warning and requesting significant information regarding graduate placement, financial soundness and updates regarding other regulatory agencies. We appreciate the opportunity to respond to the Commission's requests and believe that our responses will not only assuage the Commission's concerns, but provide additional perspective for the Commission's future placement re-verification demands for other schools after Corinthian is no longer educating students.

Placement Re-Verification

Since our placement verification efforts began in 2005, Corinthian has learned much about the challenges associated with meaningful re-verification. That knowledge increased significantly following analysis of the ACCSC-mandated third-party audits of the placements in our 2013 and 2014 Annual Reports. The essential characteristics of effective re-verification audits became much clearer. These elements of effective re-verification resulted in outcomes of the 2014 audit which provide evidence of the integrity of our processes—both historically and presently.

It is critically important to note that in preparation for the 2014 audit, we researched—and where possible implemented—fundamental survey elements gleaned from a variety of studies on key constructs regarding survey design. These important elements bear both on the outcomes of the 2013 audit as well as the present, much more robust metrics achieved in the 2014 audit. For example, as detailed in the accompanying response, survey characteristics such as recency, frequency, incentives, resources, demographics and duration of the audit period all factor significantly into response rates. In short, the concerns expressed by the Commission regarding the 2013 audit results *relate more to deficiencies with the audit process itself than with the integrity of Corinthian's underlying data, procedures and processes.*

The Commission has already received directly from CARS the results of its independent third-party audit of graduate employment records from the 2014 Annual Report. CARS selected and examined 5,254 graduate placement records, verifying as placed 85.57% of the sample (including "verified" and "placed but different"), claiming as invalid 3.62% and unable to contact 10.81% of the sample. A copy of the report is included as Exhibit 1 to our response.

Notably, while the response rate significantly improved in the 2014 audit, the "invalid" results between the 2013 and 2014 audits remained remarkably constant. This is an important point emphasizing that Corinthian's unable-to-verify placements should not be regarded as "invalid" simply because they were not contacted. In fact, when Corinthian's "unable to verify" rate declines—when the auditor is able to contact employers and graduates—most of the change in other categories is in the "verified as placed" rate. This significant fact undermines the September 15th letter's implicit conclusion that unable-to-verify placements were equivalent to "invalids." That unable-to-contact placements were likely "verified as placed" records that could not be reached strongly suggests a high degree of integrity in Corinthian's record keeping and placement reporting.

As directed by the Commission, the enclosed response provides detailed answers to the various requests on pages 6 and 7 of the September 15th letter regarding placement verification, including:

- A detailed description of the employment classification and verification process used by Corinthian-affiliated campuses;
- A detailed description as to how each campus determines the classification of graduates as employed in accordance with *Appendix VII Guidelines for Employment Classification, Substantive Standards of Accreditation* and specifically how the school defines and determines employment as sustainable and related to the program of study;
- A justification as to how the employment verification process used prior to the "Oral Employment Confirmation" represents "diligent efforts";
- A description of the Oral Employment Confirmation Process;
- A description of any changes made to the processes described above since Corinthian's last response to the Commission;
- A more detailed explanation as to why less than 30% of the total records reviewed in the audit of the 2013 Annual Report data could be verified by the independent third party auditor to match the school's record and justification as to why Corinthian believes that ACCSC can rely on the school's reported rates given the high percentage of records that could not be verified by the independent third party auditor;

- An analysis as to the efficacy of Corinthian's second-level review conducted by the "independent employment verification team at the CSC" in identifying and correcting the types of errors and inaccuracies found by the independent third-party auditor as described in this letter and a justification as to why the commission can rely on this process to produce accurate reporting;
- With regard to the 2013 Annual Report data, re-calculated Graduation and Employment Charts have been provided for programs where Corinthian has re-classified the employment status of any graduates based on the general findings outlined in the September 15th letter (e.g., the employment does not align to the majority of the program objectives, is not sustainable, etc.). We provide a matrix which shows the rate previously reported against the newly calculated rate and an explanation as to the reason(s) for the differences;
- An explanation for any student which the school reported as employed in a training related field that the independent third-party verified as not accurate;
- An explanation for any program where the independent third party is unable to verify 20% or more of the sample records due to an inability to contact either the employer or the graduate;
- A matrix that shows the graduate employment statistics reported to students aligned with the graduate data reported to ACCSC for each program grouped by campus location based on the data reported in the 2013 and 2014 Annual Reports;
- An explanation for any employment rate disclosed to students that differed from the rate reported to ACCSC;
- Attestations from each school signed by the school director that the employment rate information submitted to ACCSC and disclosed to students has been, to the best of their knowledge and belief, truthful and accurate as well as an attestation from the CEO of Corinthian stating the same on behalf of the system of schools; and
- Additional information that we believe will assist the Commission in making a determination regarding the school's compliance with accrediting standards related to placement.

In short, following the dedication of extensive resources in both time and money, the 2014 audit combined with Corinthian's responses to the above requests demonstrate the integrity of Corinthian's placement verification efforts, reporting and graduate results.

Financial Soundness & Other Regulators

As requested, we also provide the following information regarding the financial soundness of our organization:

- An explanation regarding the absence of audited financial statements for the fiscal year ended June 30, 2014 in accordance with ACCSC Instructions for the Preparation and Submission of Financial Statements and related information; and
- A Management Discussion and Analysis examining and explaining the school's current financial condition, including a discussion that addresses school's financial performance goals and results, anticipated future demands, events, conditions, and trends that impact the school, and a discussion regarding how Corinthian believes it will be able to continue to operate and fulfill its obligations to students.

We also provide information regarding updates involving other regulatory agencies.

Additional Requests

The response includes a description of the process being followed with the U.S. Department of Education Monitor regarding the sale of Corinthian campuses and the current status of the sale of any Corinthian campuses. We also respond to the inquiry regarding revised teach-out plans. Additionally, due to the Commission's placement of forty campuses on System-wide Warning, Corinthian was directed to inform all current and prospective students of such status. Our response includes evidence that we took immediate action and provided notice via written disclosures and websites on October 1, 2014.

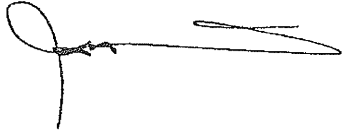
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Corinthian hopes these answers and the 2014 audit results have restored the Commission's trust in our organization and have convincingly demonstrated our current and historic commitment to compliance. We encourage the Commission to consider the lessons learned from our analysis of back-to-back audits as it requires audits of other institutions. Further, we believe the results of the third-party audit by CARS and the updates provided herein warrant the removal of the System-wide Warning.

We appreciate all the Commission has done over the years to assist us in educating students nationwide. It is difficult to express, both personally and collectively, our disappointment at being the first significant casualty of a concerted attack on vocational schools. We sincerely hope that the Commission successfully assists other institutions in navigating the current environment to the benefit of students, communities and employees.

We wish you the best in 2015.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a horizontal line and a small flourish at the end.

Jack D. Massimino
Chairman and Chief Executive Officer
Corinthian Colleges

Enclosures

Exhibits to *Corinthian Colleges' Response to the System-wide Warning Letter dated September 15, 2014* intentionally omitted due to voluminous nature.

Exhibits may be obtained from Debtors' counsel upon request.

EXHIBIT D

**RESPONSE OF CORINTHIAN COLLEGES, INC.
TO STAFF REPORT OF SENATOR TOM HARKIN,
“FOR PROFIT HIGHER EDUCATION” (S. PRT. 112-37)**

FEBRUARY 1, 2013

For more than two years, Senator Tom Harkin, Chairman of the Health, Education, Labor, and Pensions (HELP) Committee, pursued a flawed investigation targeting private sector schools and their students. This ideologically driven inquiry appeared designed to support predetermined misperceptions about private sector schools. The investigation overlooked evidence of positive outcomes generated by the schools, and it relied heavily on defective research and biased testimony from a Wall Street short-seller and a discredited government official. As all minority members of the HELP Committee wrote in protest, the investigation “ignor[ed] more widespread problems in higher education and undermin[ed] the Committee’s ability to provide meaningful solutions to these problems.” *See* Letter from the Hon. Michael Enzi, *et al.*, to the Hon. Tom Harkin, at 1 (Apr. 13, 2011).

Senator Harkin’s investigation culminated in his issuance of a staff report entitled, “For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success,” S. Prt. 112-37 (July 30, 2012) (“Harkin report”). Although this report acknowledges that “[f]or-profit colleges have an important role to play in higher education,” it uses twisted facts and unsubstantiated assumptions designed to cast private sector schools in a negative light. The report particularly misuses and misconstrues documents and information produced in confidence by private sector schools. For instance, it selectively discloses documents out of context to discredit the admissions practices of all private sector schools, and it grossly misapplies data to distort student outcomes. The report also is infected with a persistent prejudice that unfairly tarnishes the many achievements of private sectors schools and their students. Indeed, the minority staff of the HELP Committee concluded that the entirety of the Harkin report was plagued by “biased conduct,” “numerous examples of malpractice,” and “a disturbing pattern of abuse” that places “the overall accuracy and validity of the information contained in the [report] in doubt.” *Id.*, at 793, 798.

Included in the Harkin report is a profile of Corinthian Colleges, Inc. (“the School” or “CCi”), which was one of many private sector schools that voluntarily cooperated with Senator Harkin’s investigation, producing over 75,000 pages of documents. *See* Harkin report, 1: 408–34. As with the Harkin report in general, this profile is significantly biased against the School. The profile skews data from selected information to exaggerate the School’s supposed shortcomings and deemphasize its many positive attributes. It also discloses business-sensitive documents and proprietary material that have caused the School competitive harm. The profile additionally draws sweeping conclusions from the findings of a faulty investigation of the Government Accountability Office (GAO), and it is rife with unsubstantiated inferences that disparage the School’s value, reputation, and motivations. The profile fails to recognize the many educational opportunities and benefits the School offers to its more than 91,000 students—many of whom would not receive post-secondary education if private sector schools did not provide them opportunities—diminishing in numerous ways what the Department of Education has called “pioneer[ing] new approaches to enrolling, teaching, and graduating students.” 75 Fed. Reg. 66,665, 66,671 (Oct. 29, 2010).

The sections below set forth the School’s response to Senator Harkin’s profile. Each section correlates with a section of the profile, responding to the most notable misstatements and unfounded criticisms of the School. Contrary to the conclusions of the Harkin report, the response shows that both students and taxpayers benefit greatly from the School’s work enhancing educational opportunities and satisfying the demand for higher education.

Company Overview

The profile of the School in the Harkin report provides a brief overview of the School's structure, educational offerings, and enrollment. This overview is incomplete in its explanation of the School's plans for improving performance and growth, and it is inaccurate and misleading in its description of the School's accreditation credentials.

The profile cites an August 2012 investor call to suggest that the School's "growth strategy focuses on expanding short-term Diploma offerings across its campuses" and "increas[ing] the number of Associate degree offerings." Harkin report, 1: 409–10. The noted degree-expansion plans, however, reflect only a small part of the School's actual growth strategy. For instance, in the presentation that accompanied the investor call cited in the profile, most of the discussion of the School's "strategy" is focused on improving student outcomes, accreditation results, and performance efficiencies—not just expanding degree offerings. *See* CCI, Q4 12 Investor Presentation, 9–11. This presentation particularly emphasizes that the School's plans for growth are grounded firmly in a "continuing" effort to better its "graduate placement" rate (which reached 68.1 percent in 2011), "increasing instructor accountability for student retention," "piloting new entrance assessment tools," improving accreditation scores, reducing bad debt, and "closing campuses [and] programs that do not meet standards." *Id.* These are the growth initiatives that the School prioritizes and that its investors value. By not mentioning them, the profile presents a skewed perspective on what drives the School's growth and continued success.

The profile also presents a false view of the School's accreditation achievements. The profile explains that the School's campuses are accredited by a number of national and regional accreditors, including the Accrediting Commission of Career Schools and Colleges (ACCSC). Harkin report, 1: 408–09. After mentioning ACCSC as an accreditor, however, the profile states off-handedly that "[t]he current chair of the board of ACCSC also serves as the executive vice president of operations for Corinthian." *Id.* at 409. The clear inference, reiterated in other sections of the Harkin report, is that ACCSC's accreditation oversight is compromised by a conflict of interest. *See id.*, at 1: 142–43. This inference is unsubstantiated and unfair. ACCSC is no different from other accreditors recognized by the Department of Education as "reliable authority as to the quality of education or training offered." It is a peer review organization governed by a board made up partly, but not exclusively, of representatives of the institutions it accredits. Peer review, or self-regulation, is utilized successfully in many sectors and professions. Like all accreditors recognized by the Department of Education, ACCSC has a conflict of interest policy that prevented CCI's executive from involvement in accreditation decisions regarding its campuses. Indeed, even the Harkin report suggests that ACCSC "stick[s] to tough standards" that are more stringent than other accrediting organizations. *See id.* at 1: 143–44.

Federal Revenue

Using 2010 data, the profile states that "83.1 percent of Corinthian's total revenue was comprised of Federal education funds," and it estimates that "Corinthian may have discounted up to 8 percent of revenue" from federal funds pursuant to the Ensuring Continued Access to Student Loans Act (ECASLA). *Id.*, at 410–11. The profile also notes that the School "tripled

the amount of Pell grants it collects in just 3 years.” *Id.* at 412. These remarks lack both context and support.

The profile’s discussion of the federal education funds received by the School has three major shortcomings. First, the profile’s conception of what constitutes “federal education funds” is arbitrarily narrow. To properly compare CCI’s and other institutions’ receipt of federal funds, the profile should have defined “federal education funds” to include not just those dollars issued through loan and grant programs to students, but also the direct taxpayer subsidies received by educational institutions. Had the profile taken account of these subsidies, it would have made clear that the School’s receipt of federal funding is well within the norm for educational institutions. This is because the School, as a private sector school, *does not receive* the direct taxpayer subsidies that public sector schools enjoy. In fact, when direct subsidies are counted, the total taxpayer cost of educating students at private sector schools, like CCI, is often substantially less than the cost of educating students at public sector schools. *See, e.g.,* Bradford Cornell & Simon M. Cheng, *An Analysis of Taxpayer Funding Provided for Post-Secondary Education: For-profit and Not-for-profit Institutions*, at 2 (prepared by Charles River Assocs. for Coal. for Educ. Success) (Sept. 8, 2010).

Second, the profile fails to acknowledge that a significant portion of the federal funds earned by the School and all other private sector schools are returned to the Treasury in the form of loans ultimately repaid by students and taxes paid by those schools. Each year, private sector schools pay hundreds of millions of dollars in federal and state taxes--taxes that public sector schools do not pay. CCI has paid more than \$250 million in such taxes over the last five years.

Third, the profile fails to explain adequately that the School’s substantial percentage of federal education funds received is the direct result of its largely lower-income student body, which appropriately is the focus of federal assistance. The School prides itself in serving the “non-traditional students” with “modest financial resources” that even Senator Harkin acknowledges are underserved by our higher education system. Harkin report, 1: 2. Among these students, about 64 percent are women, and 52 percent are minorities. Many are single parents who are working and raising families while they study. The average age of a CCI student is 30.

The School gives all these students a path to improve their financial situation. But because of their current limited means—about 85 percent have annual family incomes of less than \$45,000—more than 90 percent of the School’s students receive federal educational aid. This compares to 70 percent of private non-profit students and 49 percent of public students (who benefit from direct aid to public schools, which serves as indirect federal tuition assistance that holds their tuition below what private institutions must charge). It thus is unsurprising that a high percentage of the School’s revenues come from federal education funds.

Similar contextual elements are missing from the profile’s analysis of the School’s increased receipt of need-based Pell grants between 2007 and 2010. As the Harkin report admits, the driving forces during this period were Congress’s “repeated[] increase [in] the amount of Pell grant dollars available” and the struggling economy. Harkin report, 1: 412. Since 2009, Congress has committed at least \$36 billion to mandatory Pell grant funding, with \$17.6 billion spent in 2010. During the 2009 and 2010 academic years, moreover, Congress

allowed eligible students to receive two Pell awards in one year. *See id.*, at 1: 31 n.8. With the economy in recession, the number of eligible students also increased. Considering these facts, it is unremarkable that the School's share of received Pell grants increased in 2009 and 2010. Indeed, the three-fold increase in Pell grants received by CCI students from 2007 to 2010 was at the low end of the private sector schools investigated by Senator Harkin. In fact, the schools that Senator Harkin labeled "good for-profit schools" at the press conference announcing his report had Pell grant increases of more than 400 percent, 600 percent, and 2,000 percent over the same time period. *See id.*, at 1: 676, 717, 781. The profile is thus misguided in casting the School's increased receipt of Pell grants as a troubling indicator.

Relatedly, the fact that the School discounted certain federal funds pursuant to ECLASA in accounting for its share of federal education dollars is not noteworthy. The discounting of such funds is precisely what Congress intended under ECLASA. Having granted every student in America access to an additional \$2,000 in Stafford loan eligibility to meet a looming crisis of student loan availability, Congress exempted private sector schools from reporting those funds in compliance with the 90/10 regulatory requirement of the Department of Education during a grace period that has now expired because it recognized that suddenly increasing Federal loan funds would make it impossible for many schools to remain in compliance with the 90-10 rule. *See* Higher Education Act of 1965, § 487(d)(4). The School therefore properly discounted the funds from its reported figures.

Spending

The review of the School's spending in the Harkin report is especially deceptive. To preserve Senator Harkin's narrative and cast the School's as overly focused on marketing and profit, the review purposefully presents relevant data in a confusing and misleading manner. When properly presented, the data make clear that the School spends far less on marketing than its competitors and far more on the education of its students. It has consistently spent roughly three times the percentage of its expenses on education related services as it has on marketing and admissions.

The Harkin report lumps profit under its discussion of spending and thus betrays a fundamental misunderstanding of the difference between these two economic concepts. The report also says that CCI "dedicated" and "allocated" portions of its revenue to profit. But profit is not a form of spending, and for-profit organizations do not "dedicate" or "allocate" revenue to profit. It is elementary economics to say so, but profit is not something that an enterprise can simply "allocate." It is the difference between the revenue that an organization receives for its services in a competitive market and the costs (or spending) required to provide these services. The motive to realize profits impels organizations to improve their services to bring in more revenue and to provide those services as efficiently as possible to control their costs and spending. Moreover, the resulting profit does not line the pockets of owners. In CCI's case, it pays no dividends and re-invests profits in its schools and the educational services it provides. The mistaken manner in which the Harkin report discusses profit demonstrates the deep bias that Senator Harkin has had from the outset of his so-called investigation against profit-making activities.

Furthermore, the figure and graphs used in the Harkin report purporting to show the School's "profit" are deeply flawed and misleading. Although they claim to show profit, the figure and graphs actually show only "operating profit," which the report defines as "income *before tax* and other non-operating expenses including depreciation." Harkin report, 1: 412 n.1536 (emphasis added). In so doing, the figure and graphs grossly overstate the School's actual profit, which for the period from 2007–2010 was between 4 and 8 percent after the nearly \$170 million that the School paid in taxes. This gross overstatement was flagged by the School before Senator Harkin issued his report. Nevertheless, no effort was made to present this part of the report in a way that reflects actual profit earned by CCI.

The comparative review of the School's profit is also unfair and inadequate. Burying in a footnote the fact that the School experienced a "net loss in 2011," the Harkin report emphasizes the School's spending in 2009. *Id.*, at 413 n.1538. Even in this banner year, the data shows that the School made 9 percent profit—calculated, again, before taxes. After interest expenses, taxes, and non-operating expenses, the School's net income was 5.2% of revenue in 2009. This profit percentage is less than half of the average profit margin of the schools investigated by Senator Harkin, and it is less than a quarter of the profit percentages realized by some schools. *See id.*, at 1: 564. But the Harkin report notes merely that the School "allocates a lower proportion than most to profit." *Id.* at 1: 413. This is a significant understatement in a report that accuses all private sectors schools of running up big profits for short-term gains. *See, e.g., id.*, at 1: 2–3. Moreover, the report attempts to downplay the School's modest profit margins by emphasizing that "the amount of profit Corinthian generated rose rapidly over the last several years," growing from \$21 million in 2007 to \$240.8 million in 2010. *Id.* at 1: 413. But these profit figures are unrelated to the spending-percentage accusations in the report, and they simply reflect the success of the School's programs.

Likewise, the profile of the School is biased in its discussion of the compensation of executives at the School. Although the profile acknowledges that CEO Jack Massimino's "compensation package for 2009 is *under half* the average for the publicly traded" private sector schools, it nonetheless complains that his compensation "drastically outpaces both compensation at public and non-profit colleges and universities." *Id.*, at 1: 414 (emphasis added). To begin with, Mr. Massimino's compensation is over-stated as it includes an estimated value of options and other equity awards that are vastly different from the value that he could ultimately receive. In addition, the profile notes that Mr. Massimino "received . . . more than eight times as much as the president of the University of California at Irvine." *Id.* at 1: 384. No reason is given for the inapt selection of the president of U.C. Irvine—a regional, public institution with roughly one quarter the students and one sixth as many faculty members as the School—as a comparative example. A more appropriate comparison might be to presidents of large private universities. During the same time period, the compensation of the presidents of Drexel University (\$4.9 million) and Johns Hopkins (\$3.8 million) exceeded that of Mr. Massimino, and 34 other private university presidents had compensation that ranged from \$2.36 million (University of the Pacific) to \$1.02 million (Northeastern University). *Almanac of Higher Education 2012, Salaries of Private-College Presidents 2009*. On that basis, Mr. Massimino's compensation is not unusual.

The profile also unreasonably critiques the fact that much of Mr. Massimino's compensation is based on the School's operating-profit performance. This critique, like the

Harkin report in general, is grounded in an erroneous perception that the operation of a for-profit enterprise is inconsistent with quality education. This is fundamentally wrong. There is no more reason the profit motive is inconsistent with educational quality than it would be with other critical services provided to the public like food production and distribution, news and information, housing, and health care, fields where profit-making enterprises predominate.

Tuition and Other Academic Charges

The claim in the Harkin report profile that the School's tuition prices are higher than many public and private sector schools is based on a selective and biased set of comparisons. The claim also incorporates a false suggestion that the actual costs of the School's programs were somehow camouflaged prior to implementation of certain unspecified regulations, and it unfairly accuses the School of deflecting prospective students' questions about such costs.

The comparisons at the heart of the profile's tuition-cost claim pluck the School's three most expensive programs from its hundreds of scholastic offerings and pit them against the most inexpensive similar programs located at schools of Senator Harkin's choosing. *See* Harkin report, 1: 415. For instance, a Medical Assistant diploma program at one campus of the School is compared to an unspecified "comparable program at Fresno City College," an Associate degree program in paralegal studies at one campus of the School is compared to a degree from Santa Ana College, and a Bachelor's degree program in Business at one campus of the School is compared to a supposedly identical program at U.C. Irvine. *See id.* No justification for these comparisons is given in the profile, which spends little time explaining whether the comparisons fairly illuminate the tuition costs of comparable programs. Additionally, no effort is made to consider the average cost of tuition for degree programs at the School, nor is any discussion devoted to the overall competitiveness of the School's pricing in its primary degree and diploma programs (*i.e.*, health care, business, criminal justice, and information technology). No mention is given either to the fact that the School employs more full-time faculty and spends more on per-student instruction than any other publicly traded private sector school. *See id.*, at 1: 427. The comparisons are misleading as well because they completely fail to account for the substantial taxpayer subsidy received by the named public sector schools which holds their tuition down but still represents a significant cost to the taxpayer. Failing to account for the subsidies presents a misleading picture that incorrectly implies the public institutions are offering similar programs at substantially lower costs.

The suggestion in the profile that the School disguises its tuition costs is also demonstrably false. The School publicizes the full tuition costs and fees associated with each of its programs, and it makes that information separately available to every prospective student during an admission interview. To be sure, the School does not frequently post prior-year tuition costs, which might make researching those past costs difficult. But Senator Harkin did not face this difficulty, as the School produced to the HELP Committee a voluminous chart that specified the tuition cost for every program at every School campus from 2007 to 2010. The assertions in the Harkin report that the School was "lacking in transparency regarding . . . costs" and that "committee staff was unable to reliably determine the cost of completing a degree at Corinthian's schools prior to new regulations" are simply unfounded. *Id.*, at 416, n.1549.

Furthermore, the Harkin report profile is misleading in its claim that School “recruiters are trained to discourage and deflect questions about costs from students.” *Id.* at 417. The only cited support for this claim is a 2005 admissions representative training manual produced in confidence to the HELP Committee and the training transcript cited from it represents but one small aspect of the manual. As the School stressed to Senator Harkin before he issued his report, the manual in all respects emphasizes the importance of integrity, compliance, and serving student interests. *See* Letter from Michael Bopp to Hon. Tom Harkin, at 8 (June 27, 2012).

Recruiting

The profile claims that “[i]nternal company documents from the 2005-10 period make clear that recruiters employed by Corinthian were trained that selling the program, not advising students, is the primary responsibility of the position.” Harkin report, 1: 418. It also opines that “[i]t is possible that these aggressive recruiting tactics result in a student body that is underprepared for college.” *Id.* These assertions are baseless. The notion that CCI’s working adult students could be the gullible victims of aggressive or slick marketing is insulting to them.

The claim about what internal documents from 2005–2010 show is based on only *one* document—the same 2005 admissions manual cited to make the case that the School’s recruiters are trained to deflect questions about tuition costs. And this outdated manual is quoted out of context to support an argument it does not sustain. The quotes, moreover, are entirely unremarkable. They merely note that (1) the admissions representative position is at root a “sales position,” (2) admissions directors regularly check on the work of admissions representatives, and (3) admissions directors may ask experienced admissions representatives to meet with more students than new admissions representatives. *Id.* In no way are these points the hallmarks of “aggressive recruiting tactics.” *Id.*

Because the profile’s claim of “aggressive recruiting tactics” fails, so too does the inference stacked on top of it that those alleged tactics are the cause of a supposedly “unprepared” student body. No evidence supports this inference. Indeed, the only support offered by Senator Harkin is the “analysis” of a biased Internet publication based on data from a regulation recently struck down as arbitrary and capricious. *See id.*, at 1: 419, n.1557; *see also Ass’n of Private Colls. & Univs. v. Duncan*, No. 1:11-CV-01314-RC, slip op. 29–31 (D.D.C. June 30, 2012). By contrast, the many successes of the School’s students offer ample evidence that they overwhelmingly are prepared to improve their education and their lives.

More fundamentally, the Harkin report appears to complain that organizations like the School seek out students at all. It assumes that the traditional model—where students seek out well-known and long-established institutions, and are reminded of their existence through media coverage of their sports programs—is the only correct one. The School, however, is relatively new, does not field sports teams, and most importantly offers programs specifically geared to the real needs of non-traditional students. It must seek out these students, whose circumstances are not geared toward guiding them to postsecondary education, in order to make them aware of the educational opportunities the School offers. It strives to ensure that these individuals make good, informed decisions. There is nothing nefarious about this. On the contrary, it is helping the country to meet its workforce training needs.

Outcomes

The profile's review of student outcomes at the School is also flawed. The review concludes that "Corinthian's retention rate was slightly lower than the average," with a higher than average Associate degree withdrawal rate offset by a "much lower withdrawal rate" for students enrolled in "Certificate programs." Harkin report, 1: 420. This conclusion is inaccurate and incomplete.

When properly calculated, the School's student outcome rates are comparable to the average outcome rates of other private sector schools, which, in turn, are often better than the average outcome rates of public sector schools. For example, the GAO has determined that "students from for-profit schools had *higher* graduation rates for certificate programs" and "*similar* graduation rates for associate's degree programs," compared to public and non-profit schools. GAO Report, Postsecondary Education: Student Outcomes Vary at For-Profit, Nonprofit, and Public Schools, GAO-12-143, at 63 (Dec. 2011) (emphases added). Likewise, a recent study from Harvard University found that private sector schools have a higher retention rate during students' first year than comparable public and non-profit schools (and, according to the study, first-year retention correlates with a higher probability of obtaining a degree). See David J. Denning, *et al.*, *The For-Profit Postsecondary School Sector*, 26 J. of Econ. Perspectives 139, 158 (Winter 2012). A study by the Parthenon Group also determined that 65 percent of students enrolled in a two-year or less private sector school obtained a degree, compared to 44 percent of comparable students at public sector schools. See Robert Lytle, *et al.*, *Parthenon Perspectives on Private Sector Post-Secondary Schools*, at 9 (Mar. 12, 2010). That study concluded as well that private sector students earned, on average, 50 percent more than their pre-enrollment income, whereas students of public sector schools earned only 30 percent more than their pre-enrollment income. See *id.*, at 13; see also Stephanie Riegg Cellini & Latika Chaudhary, *The Labor Market Returns to a For-Profit College Education*, NBER, at 27 (Aug. 2012) (finding income gains of private sector graduates "can be shown to be slightly higher than gains for public sector graduates"). Even the Harkin report acknowledges that, with regard to non-traditional students, "community colleges . . . have slightly worse comparable student outcomes than for-profit colleges." Harkin report, 1: 91.

The basis of the inaccurate calculation of the School's student outcome rates in the Harkin report is a self-described "independent" analysis of data conducted by majority staff of the HELP Committee ("majority staff"). This analysis uses a methodology not recognized by accreditors, the federal government, or state governments to reach conclusions that misrepresent the completion and withdrawal rates of students at the School. The analysis is reflected in a chart supposedly showing the "Status of Students Enrolled at Corinthian Colleges, Inc. in 2008–09, as of 2010" ("Status Chart").

Using information provided by the School, majority staff compiled the Status Chart by extracting out a subset of data reflecting all students who enrolled in the School from July 1, 2008–June 30, 2009. They then reconfigured that data to look at "where the students were" as of the cutoff date of the data in May 2010, less than one year after some of the students initially enrolled. This time-limited, student-tracking approach generated the purported "completion" and "withdrawal" numbers stated in the Status Chart.

The completion and withdrawal numbers in the Status Chart are misleading for at least three reasons. First, as the School explained in a September 22, 2010 letter to Senator Harkin, the data used by majority staff to generate the numbers are of “limited or no utility” for “deriv[ing] completion or drop rates. . . .” Letter from Michael D. Bopp to the Hon. Tom Harkin, at 2 (Sept. 22, 2010) (“Transmittal Letter”). The data specifically do not account for students who withdraw and then return to the School or who transfer between programs or campuses. As the School specifically explained in the Transmittal Letter:

- “[T]he figures [in the data] do not take into account that some students drop out of school and then later come back to school and complete their program. We refer to those students as ‘reentries.’ The figures . . . reflect some reentries multiple times because the format calls for information on a student level basis, and therefore it may inflate or alter aggregate numbers that could be compiled from the spreadsheets.”
- “[T]he figures reflect a ‘transfer’—a student who switches from one program to another—twice, once as an enrollee who dropped, and the other as an enrollee who may either drop or complete the subsequent program. Once again, this format potentially inflates or alters the aggregate drop numbers.”

Transmittal Letter, at 5. Senator Harkin’s report acknowledges these limitations, but it does nothing to account for them in a proper manner, leaving the impression that completion rates are lower than they actually are. *See* Harkin report, 1: 420 (“The dataset does not capture some students who withdraw and subsequently return, which is one of the advantages of the for-profit education model.”); n.1560 (“Some students counted as withdrawals may have transferred to other institutions.”).

Second, the completion and withdrawal numbers in the Status Chart are seriously flawed because majority staff calculated them on the basis of a time frame that is unrealistic and biased against the School. The majority staff’s decision to assess the completion and retention rates of July 1, 2008–June 30, 2009 enrollees only up to May 2010 lacks any reasoned justification. No accreditor or any other government agency uses such a limited time frame for completion or retention assessments. And, as the School noted in its Transmittal Letter, any attempt to measure the progress of the School’s students in a strict linear fashion simply does not work given the School’s student demographics. Because the School serves a high proportion of non-traditional students, “the lifespan of a student is far more complex, with many students withdrawing and reentering, or transferring between programs or schools.” Transmittal Letter, at 4. It therefore cannot be assumed, as majority staff does, that “students simply start, and then graduate, withdraw or stay in school” within a narrow, traditional time frame. *Id.* Indeed, the Harkin report acknowledges as much but does not attempt to present completion and withdrawal figures overall in an impartial, accurate manner. *See* Harkin report, 1: 420, n.1559 (“This dataset did not include Corinthian students who enrolled prior to July 1, 2008. The inclusion of these students could possibly have resulted in a lower overall percentage of students withdrawing.”).

Third, the majority staff inflated the School's withdrawal numbers in the Status Chart by counting against the School the many students who suspend their studies on account of military duties, medical developments, or other bases for waivers. By comparison, the Accrediting Council for Independent Colleges and Schools ("ACICS") does not count these students in its withdrawal calculations because it recognizes that such withdrawals are beyond the control of educational institutions. This is especially true for the School, which serves a number of military personnel and students with family commitments. These students should not be characterized as "drop outs" simply because they are compelled to leave the School to fulfill important obligations.

If majority staff had wanted to calculate more accurate completion and withdrawal numbers for the School, they could have utilized the retention-rate standard used by ACICS. The School made this point in its Transmittal Letter submitting the data used by the majority staff in its analysis, explaining how the ACICS standard works and why it is an appropriate measurement of outcomes at the School:

Based upon the information requested, an appropriate measurement—one employed by accreditors and that may be of interest to the Committee—is the retention rate. Retention measures how many of our students either continue or complete their programs year-over-year versus how many discontinue their studies by withdrawing. The table below uses the data from the exhibits the School is producing. This table presents the following information across a majority of CCI campuses by the fiscal years requested in your letter: beginning population, new starts, number of students graduating or completing, number of students withdrawing, and number of students still enrolled.

Fiscal Year	(A) Beginning Population	(B) New Starts	Total Completion in Year	(C) Total Withdrawals	Total Ending Population	Retention Rate
2007-2008	61,178	100,731	40,131	50,533	71,243	69%
2008-2009	71,246	120,638	45,179	57,086	89,595	70%
2009-2010	89,478	137,109	58,167	65,551	102,856	71%

From this raw data, retention can be calculated by using the following formula: $\text{retention} = (A + B - C) / (A + B)$. In this formula, "A" is the "beginning population," "B" is "new starts" and "C" is "total withdrawals." As seen in the table, applying this formula to the above information from the produced charts, the School has retention rates of 69%, 70%, and 71% over the three fiscal years listed above. The retention standard required by ACICS (which accredits 44 of our schools and uses similar retention methodology) is 60%. The School and our hardworking students easily satisfy this standard.

Transmittal Letter, at 2. The fact that majority staff ignored this accepted methodology for calculating withdrawal and retention rates strongly suggests that Senator Harkin sought to employ statistics to further a predetermined narrative and not to present fairly statistics provided by the School relating to student retention.

Student Loan Defaults

The profile of the School in the Harkin report is also misguided in its criticism of the School's cohort default rate (CDR), which measures the number of students in a given period

that default on their student loans. Focusing on the School's 2008 three-year trial CDR—which was subject to change and was explicitly not used by regulators or accreditors in any assessment of the School or its students—the profile asserts that the School has “the highest default rate of any publicly traded company examined,” and wrongly claims this high rate “raises serious questions regarding the quality of the programs Corinthian provides, and whether its students . . . earn high enough wages to repay the debt they take on.” *Id.* The profile also asserts that, “[h]ad the 3-year cohort default rate provision been in effect in 2011, Corinthian would have faced the loss of access to title IV financial aid dollars.” *Id.*

As the Harkin report obliquely notes, the CDR limit currently is based on a two-year measurement period but is in the process of shifting to a three-year period. *See* Harkin report, 1: 133. The School is adjusting to and preparing for this new measurement and continuously working to improve its CDR. In fact, it has had significant success in lowering both its two-year and three-year CDRs so that they are well within applicable limits.

Of course, given the lower incomes and greater demands faced by many of its students, the School's CDR has been higher than many institutions that serve a less-disadvantaged student demographic. But the School has worked to educate its students about their obligation to repay their debts and to assist them in finding employment opportunities needed to do so. And it is simply not the case that the School, or any of its current campuses, is in danger of losing access to Title IV funds because of a high CDR.

Finally and most tellingly, the Harkin report misses the mark by failing to focus on the most crucial outcomes indicators for CCI's programs. If as the profile claims the key issue is whether the School's graduates are achieving their educational goals—getting jobs and improved earnings—the profile should have focused directly on placement rates and earnings gains, not on improperly calculated completion rates that beg the question and CDRs that at best get at those issues inferentially. Over the last four years, the School's verified placement rate in the fields for which it trains students has ranged from 78 to 68 percent. The public institutions to which the Harkin report invidiously compares the School do not even have placement rates that would allow any judgment to be made about their performance. And the Parthenon report cited above confirms, with Department of Education data, that private sector institutions and the School help students to achieve healthy income gains that outpace public institutions' graduates.

Default Management

With no hint of inconsistency, the profile of the School in the Harkin report also criticizes the School for its efforts to lower the very default rates that it says are too high. The profile casts these efforts as “default manipulation,” *id.*, at 1: 133, and it warns they are “troubling for taxpayers” because they mean “taxpayers and policymakers fail to get an accurate assessment of repayment and default rates. . . . [by] undermin[ing] the validity of the default rate indicator.” *Id.*, at 1: 426. This is among the more absurd claims in the Harkin report.

Recognizing that high default rates are detrimental to its students and its own outlook, the School has, as the profile suggests, focused resources on reducing the number of students in default. *See id.*, at 1: 423. Because students are benefitted most by avoiding default—rather than entering it and then struggling to get out—the School's default-management efforts have

emphasized helping students take advantage of the deferment and forbearance options Congress itself, including Senator Harkin, made available to them. This approach is the very one encouraged by the Obama Administration for all students facing challenges in repaying their educational loans, and it has proven results. *See, e.g., Dep't of Educ., Your Federal Student Loans*, at 29–32 (Dec. 2010).

Working with default management specialists, the School has benefitted thousands of its students by informing them of governmentally mandated loan-repayment options and helping them choose the best repayment plan. This effort utilizes an array of informative platforms and initiatives, with some more successful than others. Yet the Harkin report attempts to cast CCI's efforts in a negative light regardless of intent or achieved results. And while the Harkin report attempts to denigrate particular types of innovative default management practices, it does even this in an inaccurate manner. For instance, the conceptual program mentioned in the Harkin report that proposed “offering students gift cards to McDonald’s” for contacting default management specialists never was put in place. *Id.*, at 1: 424 – 25; *see also, id.* n.1585 (acknowledging the program was “altered before implementation”). The truth is, the School's default management efforts have experienced great success, dramatically reducing the rate of student defaults. As of March 2012, for example, the School's three-year trial rate for its 2009 student cohort was down 7.3 percent, and its two-year default rate for the 2009 and 2010 cohorts was a remarkably low 6.7 percent. *See id.*, at 1: 425. These reductions are not “default manipulation” as Senator Harkin suggests but the results of significant investments and hard work by CCI.

Instruction and Academics

The profile is also biased in its presentation of data measuring the School's instructional and academic performance. It diminishes the School's sector-leading expenditures on student instruction, it makes scant mention of the School's top ranking in full-time faculty hires, and it attempts to tar the entirety of the School's academic offerings with the flimsiest of anecdotal evidence.

The data in the Harkin report shows that the School spends *the most* on instruction per student of any publicly traded private sector school. *See* Harkin report, 1: 427 (noting the School spent \$3,969 per student on instruction and stating that the “amount that publicly traded for-profit companies spent on instruction ranges from \$892 to \$3,969 per student per year”). Rather than forthrightly acknowledging this fact, however, the profile merely mentions that “Corinthian's per student spending is in the upper range of the for-profit colleges the committee examined.” *Id.* The profile then seeks to further diminish the School's sector-leading instructional expenditure by comparing it to the per-student expenditures of the University of California in Los Angeles (UCLA) and the University of Southern California (USC). *See id.* This comparison is utterly unfair. It is simply unreasonable to expect the School to match the spending of two of the most well-established research universities in the country that serve very different student populations and have very different missions. A far better comparison is to the instructional expenditures of community colleges, which often are far less than the School's instruction-based spending. Indeed, even a view of the expenditures of the hand-picked community colleges in the Harkin report shows that the School spends more on student instruction than most. *See id.*, at 1: 1081.

Furthermore, with regard to full-time faculty employment, the profile states simply that the School “employed more full-time faculty than average.” *Id.*, at 1: 427. But the data shows that the School employed *more than twice as many* full-time faculty than the average private sector school. Whereas 20 percent of the faculty at the average private sector school is full-time, 40 percent of the faculty at CCI is full time. *See id.* (“In 2010, Corinthian employed 2,577 full-time and 3,857 part-time faculty.”). Moreover, the profile makes no mention of the School’s sterling faculty-to-student ratio. Using 2010 data, the School’s ratio is 1:17. *See id.*, at 1: 409, 427. By contrast, Strayer University, which Senator Harkin labeled a “good for-profit school,” has a faculty-to-student ratio of 1:25, and U.C. Irvine, to which the Harkin report elsewhere compares the School, has a ratio of 1:26. *See id.*, at 714, 726.

Perhaps in an effort to further distract from these positive figures, the profile goes on to declare that “an undercover GAO investigation raises serious questions about the quality of Corinthian’s programs.” *Id.*, at 1:427. Explaining that three GAO investigators enrolled in three different online courses at the School, the profile claims that the whole of the School’s scholastic experience is called into question by the failure of one teacher at one campus to report quickly enough the investigators’ “repeated[] submi[ssion of] plagiarized work.” *Id.*, at 1: 427–30. The absurdity of this claim is belied by the profile itself, which acknowledges—albeit in a footnote—that the School ultimately *failed* all three of the undercover GAO investigators precisely because of the poor quality and plagiarized nature of their work. *See id.*, at 428 n.1601.

Moreover, reliance on the GAO investigation is completely misplaced. That investigation was exposed as slipshod, inaccurate in its findings, and tainted by undue influence by Chairman Harkin’s staff. The GAO official who engineered it was demoted. None of its findings with respect to the School withstand scrutiny.

Staffing

The profile notes correctly that the School employs far fewer recruiters than most private sector schools, and it emphasizes that “Corinthian has a relatively robust career services program compared to other education companies examined the committee [sic].” *Id.*, at 1: 431. “However,” the profile states, “investigations from the attorney general of California and the Texas Workforce Commission have both documented serious problems with the integrity of the campuses’ job placement claims.” *Id.* The mention of these investigations is immaterial for two reasons. First, the investigations have nothing to do with the investment that the School makes in staffing its recruiting and career services departments. Second, both of the investigations occurred years ago, had the complete cooperation of the School, and involved discrete instances of certain employees failing to follow the School’s protocols and code of conduct.

Regulatory Strategies

The profile’s final critique of the School pertains to its compliance with Department of Education regulations. Again, this critique lacks both facts and context. *See id.*, at 1: 431–32.

“Corinthian,” the profile states, “is clearly struggling to ensure that the amount of title IV Federal financial aid dollars it receives does not exceed 90 percent,” which is the limit set for recipients of such funds. *Id.*, at 1: 431. The profile then links the School’s tuition increases to “a

means to comply with 90/10,” stating that “Corinthian announced the tuition increases ‘as if they are somehow the victims’ when in reality the company knowingly pursued this kind of revenue growth strategy notwithstanding the existence of 90/10.” *Id.* The profile also cites a document produced to the HELP Committee that it claims “show[s] that some of the school’s administrators were concerned about tuition increases and the effect it would have on students.” *Id.* These attacks are unfair.

The School did not raise tuition merely under the guise of complying with the 90/10 regulation; it most recently raised tuition precisely because of that regulation. In particular, the recent increases in federal loan and Pell Grant availability have affected all private sector schools’ ability to meet the 90/10 requirement, because the schools mainly serve students who are eligible for the entirety of Title IV funding. The School explained these “unintended consequences of 90/10” to Senator Harkin before he issued his report, emphasizing that the regulation caused “students to incur more expense” with each increase in available federal funds and explaining how “the 90/10 requirement keeps career colleges out of lower-income settings where they could accomplish much good.” *See* Letter from Michael Bopp to Hon. Tom Harkin, at 8 (June 27, 2012). Thus, it is wrong for the profile to claim that the School’s occasional tuition increases would occur “notwithstanding the existence of 90/10.”

It relatedly is unfair to portray the loan programs sponsored in part by the School as merely pieces of a 90/10 strategy. *See id.*, at 1: 432–33. Those lending programs were coordinated in the face of the recent economic downturn and liquidity crisis, and pursuant to directives of Congress and the Department of Education, to help students obtain extra financial assistance that they otherwise might not have been able to receive. In particular, a huge shortfall in available student funding occurred in 2008 when Sallie Mae withdrew from making certain private student loans to students attending private sector schools. Due to the liquidity crisis, students could not cover this shortfall with loans from other private lenders. Mindful that changed economic circumstances were creating potential educational-access issues, Congress encouraged private sector schools to institute their own loan programs by amending the Higher Education Act to allow the schools to count the net present value of institutional loans made to their students as revenue for purposes of the 90/10 rule. *See* Higher Education Opportunity Act, P.L. 110-315 (Aug. 14, 2008). It was in response to these developments that CCI instituted its lending programs to help its students who could not pursue higher education without additional financial aid. Thus, the portrayal of the School’s lending programs as merely 90/10 strategies completely ignores the fact that the School was thrust into sponsoring those programs by the credit crisis and the initiatives of Congress; it did not pursue them voluntarily or based on some nefarious motive. Moreover, the portrayal of the loan programs in the Harkin profile is inconsistent with the larger complaint of the Harkin report that private sector schools are too dependent on federal funding. In fact, the critique reveals that the true complaint of Senator Harkin is not that the School receives too many federal funds, but that it receives any funds at all.

Conclusion

The profile of the School in the Harkin report is just one more example of ideology overriding reality in Senator Harkin’s attack on private sector schools, which long predated his “investigation” of the career schools sector. The profile twists the facts to fit a preconceived

narrative, proving that the School never had a hope of receiving fair treatment in the Harkin investigation or report.

The School provides a strong education and new opportunities to thousands of students each year, helping them to better their lives through sector-leading investments in student instruction, facilities, and post-graduation services. This work is vital to meeting the growing demand for an educated workforce. There is no doubt that students and taxpayers benefit greatly from the investment they make in the School.

EXHIBIT E

DECLARATION OF
MICHAEL ABBOTT

I, Michael Abbott, declare as follows:

1. I am competent to make this declaration and I have personal knowledge of the facts stated herein.

2. I have extensive experience in California's legislative and regulatory efforts to protect consumers, including the following:

- From January 1999 to November 1999, I was Chief Consultant to the California Assembly's Committee on Consumer Protection, Governmental Efficiency and Economic Development;
- From June 1995 to January 1999, I was a Senior Consultant to the Senate Committee on Business and Professions;
- From February 1993 to June 1995, I was the Principal Consultant to the Assembly Education Committee; and
- From January 1989 to January 1991, I was Senior Consultant to the Assembly Governmental Efficiency and Consumer Protection Committee.

3. From November 1999 to May 2004, I was Bureau Chief of the California Bureau for Private Postsecondary and Vocational Education (the "Bureau" or the "BPPVE").

4. Since I left the Bureau, I have been a consultant in private practice. As part of my consulting practice, I have provided analysis and advice to Corinthian Colleges, Inc. regarding legislative and regulatory matters from approximately June 2004 to the present for a monthly retainer of \$3,000.

DECLARATION OF MICHAEL ABBOTT

1 5. During the time I was the Bureau Chief, I oversaw the Bureau's administration and
2 enforcement of the *Private Postsecondary and Vocational Education Reform Act of 1989* (the
3 "Act"), including Article 7, which is the *Maxine Waters School Reform and Student Protection*
4 *Act of 1989*.

5 6. My experience as a regulator attempting to enforce the completion and placement
6 standards in the Act convinced me that these standards are so convoluted and contradictory that it
7 is nearly impossible for schools and the staff in the Bureau to interpret, explain and apply them
8 consistently. During my time as Bureau Chief, staff personnel adopted differing interpretations
9 of the various provisions of the Act to such an extent that the Bureau had, I believe, nearly as
10 many interpretations as staff people. The net result of this confusion was that Bureau staff were
11 unable to provide meaningful guidance to schools that sought advice about the specific reporting
12 and disclosure requirements under the Act.

13 7. Additionally, the completion and placement standards under the Act are redundant
14 of accreditation standards on these same matters, yet the Act has different formulas for
15 calculating completion and placement from those of the accreditation agencies. Moreover, there
16 are multiple possible interpretations of the formulas for computing completion and placement
17 under the Act, all of which conflict with the parallel accreditation calculations for completion and
18 placement. I learned that well-meaning school employees in California were understandably
19 confused about how to measure and report completion and placement outcomes to the Bureau,
20 their respective accrediting agencies, and prospective students.

21 8. One prime example of confusing language in the Act relates to which students are
22 permitted to be excluded from the computations of completion and job placement. Subsections
23 (a) and (b) of Section 94854 of the Act require that institutions meet minimum standards of
24 completion and placement. These subsections are further incorporated by reference into Section
25 94859(a)(2), which requires institutions to disclose to prospective students: (A) "the percentage
26 of students completing the program of instruction," and (B) the "percentage of students who
27
28

1 completed the program of instruction and obtained employment," both of which are to be
2 "determined pursuant to Section 94854."

3 9. Subsection (c) of Section 94854 requires exclusions of certain categories of students
4 from these calculations:

5 (c) For the purposes of subdivisions (a) and (b), students who, as
6 documented by the institution, have been prevented from
7 completing the program or programs of instruction due to
8 *death, disability, illness, pregnancy, military service, or*
9 *participation in the Peace Corps or Domestic Volunteer*
10 *Service* shall be excluded from the computations used to
11 determine whether an institution has met the performance
12 standards prescribed by those subdivisions. [Emphasis added]

13 As applied to the completion and placement calculation standards under the Act, this language
14 caused considerable interpretive confusion. Under this provision, schools could clearly exclude
15 students from their *completion* statistics who had failed to *complete* the program for one of the
16 enumerated reasons. However, since Subsection (c) also applies to provisions that deal with
17 "obtaining employment," schools were often confused about whether students who had had
18 completed a program and *thereafter* died, became disabled, ill or pregnant, or joined the military,
19 Peace Corps or Domestic Volunteer Service, should also be excluded from the calculations to
20 determine whether a student had "obtained employment" under Sections 94854(a)(2) and
21 94854(b)(2).

22 10. The use of similar, but not identical, terminology in other parts of the Act also
23 caused confusion among schools. For instance, the term "placement rate" seems intuitively
24 related to the term "obtain employment." However, the Act makes no attempt to link them
25 together. In Subsection 94854(f), the term "placement rate" is first used to provide a regulatory
26 reprieve for institutions that fail to meet the "completion" and/or "obtaining employment"
27 standards of 94854(a) and 94854(b):

28 (f) (1) This subdivision applies only to an institution or any site that
fails to meet any of the following:

1 (A) Any of the standards established in subdivision (a) or
2 (b) by 10 percent or less.

3 (B) Any of the standards established in subdivision (a), but
4 has a *placement rate* of 42 percent or more for the
5 course in which the standard was failed. [Emphasis
6 added]

7 (C) Any of the standards established in subdivision (b), but
8 has a *placement rate* of 42 percent or more for all
9 courses in the aggregate. [Emphasis added]

10 11. The term "placement rate" is defined by Subsection 94854(k)(4). However, this
11 subsection does not specify whether the term "placement rate" means the same thing as
12 "obtaining employment" for the purposes of the standards outlined in 94854(a) and (b). Indeed,
13 the definition itself is confusing. It provides as follows:

14 (k) For the purposes of this section, the following definitions
15 shall apply:

16 * * *

17 (4) "Placement rate" means the percentage of students
18 who fulfilled the provisions of the following two
19 subparagraphs:

20 (A) Began the program, did not cancel pursuant to
21 Section 94867, and were originally scheduled at
22 the time of enrollment to complete the program
23 during the applicable time period described in
24 subdivision (l).

25 (B) Completed the program, within the applicable
26 time period described in subdivision (l) and
27 started employment within six months of
28 completing the program or, if employment
requires taking a state licensure examination for
which only graduates of the program may
apply, then (i) started employment within six
months of the date on which the state licensing
agency announces the results of the first
licensure examination reasonably available to
students who completed the program, or (ii)

1 started employment within six months of the
2 next reasonably available licensure examination
3 date for any student who did not receive passing
4 results on the first exam. The time period
5 determined pursuant to this subparagraph shall
6 not exceed 10 months beyond the date of
7 completion of the program of instruction. The
8 institution shall retain a record of the date of the
9 first reasonably available licensure exam
10 following the completion date of each student,
11 the date the licensure agency announces the
12 results of the first reasonably available licensure
13 exam, and the date of the next reasonably
14 available licensure exam for each student who
15 did not pass the first exam.

16 While subsection 94854(k)(4) defines the term "placement rate" as a "percentage," it
17 fails to include the necessary information for the mathematical calculation - i.e. what numbers
18 should be used to calculate the percentage. It says that "placement rate" is the "percentage" of
19 students who satisfy the requirements of [both] subsections (A) *and* (B). When a school
20 compiles the number of students who satisfy the requirements of both subsections (A) and (B), it
21 is unclear what number it should divide that number by in order to calculate the percentage. It
22 could reasonably be either the number of students who "began the program" or the number of
23 students who "completed the program." In other words, the definition specifies a mathematical
24 numerator to calculate the percentage, but fails to specify a denominator.

25 12. Finally, to return to the matter of which graduates may be excluded from the
26 calculations of "obtaining employment" and/or "placement rate," subsection 94854(n) of the Act
27 provides as follows:

28 (n) In determining the placement rate for a particular time period
as described in subdivision (l), an institution *may* exclude
from the calculation a student who either:

- (1) Decides not to obtain employment and within six
months of completing the program enrolls in a
program to continue his or her education to obtain a
higher level degree that is related to, or provides for

1 the student to use, the same skills or knowledge
2 obtained in the program the student completed.

- 3 (2) Is in possession at the completion of the program of a
4 valid United States Immigration and Naturalization
5 Service Form I-20. [Emphasis added.]

6 Again, this provision of the Act is confusing and provides more questions than
7 answers: Are these two categories of students the *only* categories that should be excluded from
8 calculation of "placement rate"? Or, are these categories merely additive to the groups of students
9 who are already required to be excluded from the calculations as required by 94854(c) (those who
10 died or became disabled, ill or pregnant, or joined the military, Peace Corps or Domestic
11 Volunteer Service)? And, again, does "placement rate" mean the same thing as "obtaining
12 employment"?

13 13. Based on these confusing provisions, even after having spent nearly five years as
14 Bureau Chief, I could not provide a definitive interpretation to a school seeking advice about how
15 to measure and report its compliance with these confusing standards.

16 14. Finally, with regard to confirming the accuracy of student placement, Bureau
17 personnel attempted sporadically to verify the placement results reported by schools under its
18 jurisdiction. On the basis of these efforts, as well as other interactions with students attending
19 vocational schools, I came to believe that the verification efforts would be exceedingly difficult
20 because of the mobile nature of the students. Students served by schools under the Bureau's
21 jurisdiction tended to be very transient. Indeed, it was very difficult to find students to do follow-
22 up work regarding complaints or even to identify students who filed claims under the Student
23 Tuition Recovery Fund. Thus, even students who had initially contacted the Bureau or may have
24 been entitled to money often could not be found.

1 15. The contradictions and ambiguities in the Act discussed above are illustrative and
2 not exhaustive. I believe even well-meaning and ethical schools often have difficulty interpreting
3 and complying with these and many other provisions of the Act.

4
5 I declare under penalty of perjury under the laws of the State of California that the
6 foregoing is true and correct.

7 Executed this 5th day of June, 2006 at Sacramento, California.

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9 

10 MICHAEL ABBOTT
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EXHIBIT F

POLITICOPRO

Senators grill accreditor over handling of Corinthian Colleges

By Allie Grasgreen

6/17/15 12:51 PM EDT

Senators sparred with an accrediting official at a Higher Education Act reauthorization hearing Wednesday morning over his agency's handling of Corinthian Colleges.

Despite being grilled for several minutes by Sens. Elizabeth Warren and Chris Murphy (D-Conn.), the president and CEO of the Accrediting Council for Independent Colleges and Schools refused to budge in his position that accreditors bear no responsibility for the consequences of Corinthian's collapse.

The agency accredited 55 Corinthian campuses — about half of the now-defunct for-profit chain's schools — and monitored or sanctioned some of them after internal reviews, Albert Gray said. But the body found no evidence that any schools lied to or defrauded students, he said, despite myriad state and federal investigations suggesting otherwise.

"If accrediting agencies are not willing to stand up to colleges that are breaking the law," Warren said, "then I don't know what good they do, and I sure don't know why we would let them determine which colleges are eligible for federal dollars."

Peter Ewell, vice president of the National Center for Higher Education Management Systems, noted what does happen when accreditors try to take severe action against institutions.

The Accrediting Commission for Community and Junior Colleges was "trying to sanction a very bad institution" when it revoked accreditation from City College of San Francisco, he said. The accreditor found itself embroiled in a high-profile legal battle, and a superior court judge [ruled](#) in February that ACCJC must reconsider its decision.

"There needs to be some things that stiffen their backbone a little bit," Ewell said of accreditors.

Warren raised the Corinthian issue, but Murphy also had some strong words for Gray.

"There would be much more faith in the accreditation process if you would just own up to the fact that Corinthian failed their students by every measure," Murphy said. "If you're not willing to pull Corinthian's accreditation, or at least admit you should have ... it's not clear whose accreditation you would pull."

Gray shot back and interrupted the senators several times, noting that most of Corinthian's campuses continued operations uninterrupted through their sale to ECMC Group's nonprofit subsidiary Zenith Education.

"Accreditors, like any other organizations, make mistakes. This was not one of those mistakes," Gray said. "Corinthian collapsed because of financial pressure ... the accreditation process was not the issue."

But Murphy didn't buy it.

"There's no reason we have this system of accreditation other than to stop a college from getting to that crisis point," he said. "Corinthian should be a bright blinking light as an example of how this went badly wrong."

Following the back-and-forth, Sen. Michael Bennet (D-Colo.) thanked education committee Chairman Lamar Alexander for holding the hearing.

"I came here wondering what the purpose of accreditation was," he said, "and now that question is even more fundamentally at issue, I think."

The committee will hold its next HEA reauthorization hearing after the July 4 recess, Alexander said, adding that a future hearing will focus on the topic of innovation.

The chairman said he's still aiming to propose a bipartisan draft reauthorization bill to the committee in September.

EXHIBIT G



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Parthenon Perspectives

February 2010

Private Sector Post-Secondary Schools — Do They Deliver Value to Students and Society?

by Robert Lytle, Partner and Co-Head, Education Center of Excellence

Recently, U.S. private sector post-secondary education providers have come under intense legislative, regulatory, political, and press scrutiny across a myriad of issues. Likewise, discussions in Washington, D.C. have focused on assuring quality outcomes for students by enhancing existing regulations and proposing new ones. Underlying this scrutiny is an apparent belief that private sector educational providers are likely to suppress investments in educational quality and student outcomes in favor of profits. As a result, there has been much subjective discussion around the private sector's role in post-secondary education with a limited level of objective facts.

In an effort to shed more objective light on the role of private sector education providers, The Parthenon Group examined the following question: Do private sector post-secondary schools deliver value to students and society? Over the past several months, through an analysis of U.S. Department of Education longitudinal studies, industry data, and primary research, Parthenon conducted a rigorous examination of the private sector's ability to provide meaningful post-secondary outcomes.

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The Debate Surrounding the Private Sector's Role in Post-Secondary Education

Recently, U.S. private sector post-secondary education providers have come under intense legislative, regulatory, political, and press scrutiny across a myriad of issues. Likewise, discussions in Washington, D.C. have focused on assuring quality outcomes for students by enhancing existing regulations and proposing new ones. Underlying this scrutiny is a belief that private sector educational providers are likely to suppress investments in educational quality and student outcomes in favor of profits. As a result, there has been much subjective discussion around the private sector's role in post-secondary education with a limited level of objective facts.

Several broad questions are salient to the debate around the private sector's role in post-secondary education:

- What role does the private sector play in post-secondary seat expansion and is it poised to help answer President Obama's 2020 College Attainment Goals, which call for 5,000,000 more Associate- and certificate-level graduates?
- Does the private sector provide educational access to under-represented students?
- What student outcomes does the private sector achieve and how do they compare to alternatives?
- How efficient is the private sector in generating positive outcomes, from both a student and societal perspective?
- What is the real cost, from a societal perspective, to graduate a student?
- What is the value of awarded degrees and diplomas, and do they lead to differentiated income gains and positive student return on educational investment?
- Do private sector providers leave students with debt loads that are burdensome and cannot be serviced by their income?

In an effort to shed a more objective light on the role of private sector post-secondary education providers, The Parthenon Group examined the following question: Do private sector post-secondary schools deliver value to students and society? Over the past several months, through an analysis of U.S. Department of Education longitudinal studies, industry data, and primary research, Parthenon conducted a rigorous examination of the private sector's ability to provide meaningful post-secondary outcomes.

Parthenon's analysis focused primarily on students enrolled in institutions that offer two-year degrees (or shorter), as the data

from the U.S. Department of Education's longitudinal study (Beginning Post-Secondary Survey and follow-up five years later) are most robust for these students.

Key Findings

Private sector operators have recently been subject to growing press coverage, much of which implies a business sector that preys on unsophisticated students, burdens them with debt, and fails to provide quality levels of education, leaving students subject to poor job prospects and significant challenges in repaying student loans. In fact, Parthenon's perspective is that the private sector providers, by and large, have been maligned by such claims. Based on years of deep work with individual school operators, together with broader sector research and partnerships with industry investors, Parthenon has found that most private sector providers do a *better* job graduating students, deliver superior income gains, and do so at a societal cost comparable to public institutions. This is an especially important perspective, as many of these graduates represent a high-risk student profile. This *data-driven perspective* that private sector educators deliver excellent value to their students and to society is lacking in the current debate.

Post-Secondary Seat Expansion

An assessment of publicly available information indicates that private sector post-secondary providers currently invest close to \$1B annually in capital expenditures.¹ This level of investment, which continues to grow, should come as no surprise as private sector educators have been growing enrollments at over six times the rate of public sector counterparts (6.2% annual FTE growth from 2005 to 2008 vs. 1.2%).² However, such investment raises a critical question: just who benefits from such capacity expansion?

Providing Access to Under-represented Students

The U.S. Department of Education defines students of a specific risk profile as those who demonstrate three or more risk factors, including delayed enrollment, no high school diploma, part-time enrollment, financially independent, having dependents, single parent status, or working full-time while enrolled. These students, also identified as those of "Persistence Risk," are more likely to not persist — or achieve completion — in post-secondary options.

An important finding in Parthenon's analysis shows that private sector post-secondary providers actually enroll a higher proportion of these higher-risk students. In 2004, roughly 1/2 of private sector students were identified as being "high risk" vs. only 1/3 of students in public and independent schools.³ This relationship holds true across nearly every measure of underrepresentation, as private sector schools have higher proportions of inner-city

¹ Capital IQ; NCES IPEDS database

² NCES IPEDS database (refers to Title IV eligible institutions only)

³ NCES Beginning Post Secondary Study (BPS) 2004-2006; demographics exclude 4-year schools

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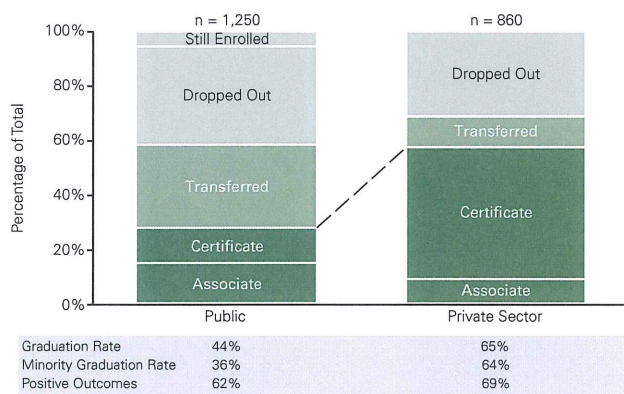
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residents, low-income households, minority status, and first generation post-secondary students.

Student Outcomes

In order to evaluate a true return on investment for private sector providers, student outcomes must be measured by examining the 'positive outcomes' (graduates and transfers) against all students who enrolled in an institution. When this is examined five years post-enrollment, private sector schools have an advantage over public institutions with a graduation rate nearly 20% higher and a 7% higher graduation and transfer rate. More significantly, they achieve this level of success with student body that is most in need of positive educational outcomes.

Exhibit 1: Student Outcomes 5 Years Post-Enrollment (2-Year and Shorter Institutions)



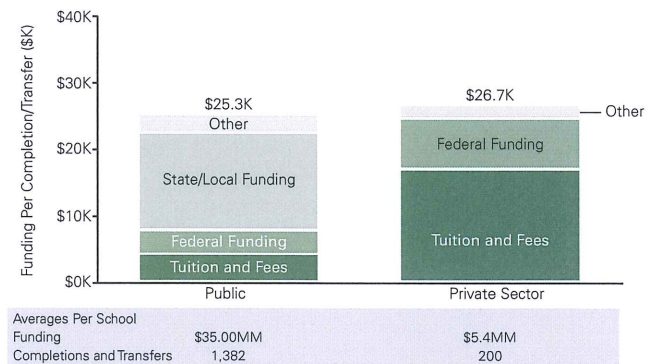
The positive outcomes, graduations and transfers, are particularly compelling across a number of indicators where positive outcomes were higher for Pell Grant recipients, first generation post-secondary students, and minority status students.⁴

Parthenon's perspective is that this outcomes advantage stems from very specific programmatic structures and student supports that private sector schools have implemented over the years to address retention issues and is not a byproduct of reduced quality.

Societal Cost per Positive Outcome

Another important measure of educational outcomes is the actual expense to society associated with generating a graduate. Private sector schools receive nearly all of their revenues through tuition, a tuition that is frequently both higher than public schools and supported by federal grants and guaranteed student loans. This leads to the common misconception that private sector operators are more expensive to operate than their public sector counterparts. The available data, however, indicates otherwise, as public schools receive the majority of their income directly through state and local funding.

Exhibit 2: Funding Per Positive Outcome (Completion or Transfer) at 2-Year (or Shorter) Institutions



When schools' total revenues are considered (agnostic as to source of funding) and compared against the positive outcomes that are generated, private sector and public sector 2-year (or shorter) institutions look a lot alike: they take in roughly \$25,000 of revenues to produce a positive outcome of graduation or transfer.⁵ This neck-in-neck cost to society clearly needs to be evaluated against the value of those degrees.

Student Return on Educational Investment

The NCES Beginning Post-Secondary Survey (BPS) provides a unique look at the eventual outcomes for students, as it is a longitudinal study of that followed 19,000 students from both

About the Sources Used:

Parthenon's analysis relied on three important government data sources:

- (1) NCES Beginning Post-Secondary Survey (BPS): The NCES Beginning Post-Secondary Survey provides a unique look at the eventual outcomes for students as it is a longitudinal study of 19,000 students from both public and private schools who were followed for 5 years. It records hundreds of variables including, importantly, student outcomes in terms of employment status and income.
- (2) Integrated Post-Secondary Education Data System (IPEDS): IPEDS is a survey of ~7,000 colleges, universities, technical, and vocational post-secondary institutions. Participating schools report on certain statistics (e.g., enrollment, completions, revenue, expenditures) on an annual basis.
- (3) National Post-Secondary Student Aid Study (NPSAS): The National Post-Secondary Student Aid Study is a collection of student financial aid data from 114,000 students at 1,600 post-secondary institutions plus data from institutional records and government databases for the 2007-08 school years. The databases allow an examination of the characteristics of students in post-secondary education with a specific focus on how they finance their education.

⁴ *ibid*; student outcomes are for students who enrolled at 2-year (or shorter) institutions in 2001

⁵ NCES Beginning Post Secondary Survey (BPS) 1996-2001; NCES IPEDS database; Parthenon analysis (data is normalized for degree mix)

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public and private schools over the course of five years. The study records hundreds of variables, including — importantly — student outcomes in terms of employment status and income. Students who enrolled in 2-year (or shorter) institutions saw roughly comparable income gains of ~\$7,500.

Annual Income Gains for Students at 2-Year (or Shorter) Institutions (2002–2005)

	Public Schools (n=910)	Private Sector Schools (n=630)
Pre-enrollment Income	~\$20,300	~\$14,300
Post Enrollment Income	~\$27,600	~\$22,200
Income Gain	~\$7,300	~\$7,900

Although the earnings of private sector schools were lower than their public school peers, they had a slight advantage in total income gains (\$7,900 vs. \$7,500) as they originated from a lower level of pre-enrollment income. The most impressive point, however, is the raw magnitude of those gains — a clear indication of a positive student return on educational investment.⁶

Student Debt Burden

Finally, the issue of student debt must be examined, as there is a widespread misconception about actual average student debt levels. It is unsurprising that the level of student debt at private institutions (be they for-profit or non-profit) is higher than at public institutions. At private schools, students must pay the vast portion of tuition directly while public institutions are subsidized at federal, state and local levels. However, while exceptional debt levels clearly occur, average student debt levels are not as onerous as often cited. In fact, the average student debt burden of a private sector student at a two-year (or shorter) institution was ~\$8,500. If typical loan terms are imputed (10-year repayment at 6.8% fixed interest), then the monthly payment is ~\$100. Contrast that to average monthly gross earnings of ~\$2,000 and the debt burden begins to look quite manageable.

Market Implications

Private sector schools have an important role to play in President Obama's call to help an additional five million Americans earn degrees and certificates in the next decade, as they are poised to invest several billion dollars of CAPEX over the next several years. This builds upon solid industry growth that saw the private sector grow at roughly 5x the rate of public schools. Private sector schools now grant roughly 30% of all certificates and Associate's Degrees.

This expansion has benefited students who have historically been underrepresented in higher education, as private sector schools serve a higher percentage of students whom the U.S. Department of Education identifies as having 'persistence risk' (e.g., minority, single parents, financially independent) and who are most in need of education in order to improve their life circumstances. Even while serving students with greater risks of non-completion, the private sector generates equal or *superior* educational outcomes at a comparable cost to society. The available data on financial improvements for students in 2-year (or shorter) institutions indicates that the private sector delivers an \$8K income gain against a very modest loan-to-income ratio of only 5%.

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About The Parthenon Group

The Parthenon Group is a leading advisory firm focused on strategy consulting with offices in Boston, London, Mumbai, and San Francisco. Since its inception in 1991, the firm has embraced a unique approach to strategic advisory services; long-term client relationships, a willingness to share risk with our clients, an entrepreneurial spirit, and customized insights are the hallmarks for which The Parthenon Group has become recognized in the industry. This unique approach has established the firm as the strategic advisor of choice for CEOs and business leaders of Global 1000 corporations, high-potential growth companies, private equity firms, educational institutions, and healthcare organizations.

Education Center of Excellence

Parthenon has served as an advisor to the education sector since our inception in 1991. Our Education Center of Excellence (ECE) — the first of its kind across management consulting firms — has an explicit mission and vision to be the leading strategy advisor to the global education industry. To achieve this, we invest significantly in dedicated management and team resources to ensure that our global expertise extends across public sector and non-profit education providers, foundations, for-profit companies and service providers, and investors.

⁶ NCES Beginning Post Secondary Survey (BPS) 1996-2001; NCES IPEDS database; Parthenon analysis (data is normalized for degree mix)