



June 12, 2014

Mr. Jack D. Massimino, Chairman/CEO
Corinthian Colleges, Inc.
6 Hutton Centre Drive, Suite 400
Santa Ana, CA 92707

UPS Tracking
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Re: Missing Placement Documentation/Information and Transfer of Corinthian Colleges, Inc. to the Heightened Cash Monitoring Method of Payment

Dear Mr. Massimino:

This letter is a follow-up letter to the U.S. Department of Education's (Department's) previous letters to Corinthian Colleges, Inc. (CCI) of January 23, 2014, April 11, 2014, and April 22, 2014, and reiterated in telephone conversations with CCI's Corporate Counsel and with Linda Buchanan shortly after issuance of these letters, which required CCI to produce placement documentation and related information. As noted in the April 11, 2014 and April 22, 2014 letters, and again in a further letter of May 13, 2014, there remain several significant gaps in the placement data that CCI has provided to date.

Chronology

A synopsis of the Department's correspondence with CCI on these matters is as follows:

January 23, 2014: Letter from Robin Minor to you outlining data/documents to be produced including –

- A. All placement disclosures provided to students in all academic programs at all CCI locations (main and additional locations) for calendar years 2010, 2011, 2012, and 2013.
- B. Evidence upon which CCI relied to calculate placement percentages, including individual student files.
- C. Excel worksheets with student names, other identifying information, and certain placement information.
- D. Records of grade and attendance changes made at all CCI locations for the period June 30, 2011 through the date of extraction of the data.

CCI was to provide this information within 30 days. Almost five months have passed and CCI continues to fail to provide significant portions of the required documentation.

April 11, 2014: Letter from Martina Fernandez-Rosario to you in follow-up to the January 23, 2014 letter, reiterating the document production requirements, including the excel worksheets containing student identifying and placement information. This letter also advised CCI that

continued noncompliance with these requirements would subject it to unspecified administrative actions.

April 22, 2014: Letter from Martina Fernandez-Rosario to you identifying information that had not yet been received from CCI including –

- Placement data for *all* Heald schools.
- Placement data for schools that were previously (during the production period) owned by CCI but had been sold or closed, including locations of main campuses that had been closed.
- The evidence used by CCI to derive placement rates provided in disclosure notices.
- Program Integrity Regulation (PIR) disclosures for Arlington, Virginia; Chicago, Illinois; Columbus, Ohio; Decatur, Georgia; and Ft. Lauderdale, Florida published on July 1, 2012, or for any period after that date.

Once again, the Department advised CCI that it faced further administrative actions for its failure to timely fulfill these production requirements.

May 13, 2014: Letter from Mike Frola to you regarding debt covenants and other financial matters. This letter also included a reminder with respect to the submission of the outstanding placement data, indicating the Department had not received the documentation identified in the April 22, 2014 letter and requiring production of that information by May 22, 2014.

Placement Data

To date, CCI has failed to provide complete information and data identified in the Department's January 23, 2014 letter and in subsequent correspondence. Although the Department continues to receive piecemeal documentation, CCI should have all the requested documentation available to scan or copy and send to the Department. Please respond immediately to the following items:

- Disclosures – January 23 letter, Page 4 Item A: The disclosures CCI has produced thus far are incomplete and raise the following additional questions to which we require responses:
 - CCI Consumer Disclosures published on July 1, 2012 and July 1, 2013 appear to provide nearly identical placement rates for each program where a report was made. The timeframes specified in the footnotes to the consumer disclosures, however, are often different. For example, ACICS timeframes are displayed as June 1, 2009 through June 30, 2010 in the disclosures published on July 1, 2012 and are identified as July 1, 2011 through June 30, 2012 in the disclosures published on July 1, 2013, even though the rates reported using the ACICS methodology are the same.
 - Conversely, CCI Consumer Disclosures published on July 1, 2011 and July 1, 2012 for ACICS schools both specify that they are reporting on a timeframe from July 1, 2009 to June 30, 2010. However, the placement rates reported are different. For example, the Consumer Disclosures published on July 1, 2011 and July 1, 2012 for San Bernardino specify an

identical timeframe, however, one reports an institutional accreditor placement rate of 64.3% for Criminal Justice Associate schools, while another reports 13.3%.

- CCI has only produced some Program Integrity Regulation (PIR) disclosures required to be provided to *prospective* students, pursuant to 34 C.F.R. § 668.6(b)(iv) (effective July 1, 2011), for some of the required years for some of its programs at some of its locations. Specifically, CCI has not submitted any Heald College PIRs for the 2012 and 2013 years. There are appropriately titled folders that are apparently meant to lead to web pages with the required PIRs; however, the pages within the folders are blank and do not contain any disclosure information. Campus disclosures published on July 1, 2012 for Arlington, VA; Chicago; Columbus; Decatur; and Ft. Lauderdale also have not been produced.
 - CCI failed to produce *any* disclosures required pursuant to 34 C.F.R. § 668.41(d)(5). These disclosures were required to be disclosed to *enrolled* students, as well as prospective students, effective July 1, 2010. The Department reiterates that it requires these disclosures, as well as the PIR disclosures, for all programs for all locations whether open, closed, or sold, since July 1, 2010 and July 1, 2011, respectively, through the present. As an example, for the Decatur, GA location, CCI produced only two identical PIR disclosures, albeit labeled 2011 and 2012. Despite the fact that this location stopped accepting new students in or about March 2012, enrolled students did not complete their training until December 31, 2012; thus, the disclosures had to be made to those enrolled students. In addition, CCI failed to produce Everest Decatur's required July 1, 2010 disclosure of its 2009 placement rates. CCI must produce any placement rate disclosures provided to enrolled or prospective students since July 1, 2010. To the extent that CCI amended any disclosures, the Department also requires that CCI produce the amended disclosures, as well as the original disclosures, along with a notation that they were amended and the date and reason as to why they were amended.
 - The Department understands that certain of CCI's catalogs contained consumer disclosures concerning placement. CCI has failed to produce any of the catalogs containing such disclosures.
 - Certain placement rates are purportedly calculated on a "Calendar Year" but do not state which calendar year.
 - Certain placement rates are purportedly based on a formula (for example, ACCSC) which calculates the cohort for placement. Please provide a detailed accounting of each student considered as a part of the relevant cohort.
- Action required in response to this letter: Please provide immediately an explanation for the discrepancies noted above, the catalog disclosures referenced above, a detailed accounting of the calendar years, and the cohort of students on which reporting was based.

- Evidence of placement percentages—January 23 letter, Page 4 Item B:
 - CCI must provide the evidence on which it relied to derive its placement percentages. This includes student placement files. To date, CCI has produced placement files for the 2012-13 award year for the following CCI schools: Santa Ana, Jacksonville, Melbourne, Kendall, Newport News, and Orlando North, whereas the Department required that CCI provide the campus files that include the student placement files for each location. Although CCI produced disclosure information for Brighton and Orange Park, the folders labeled “backup documentation” are empty. Also please note that some files are labeled “2011-12” but appear to be 2012-13 records. By producing files for only these six locations for only one year of the three years required, CCI has produced only incomplete files for less than 6% of its locations.
 - To the extent any accreditor or state calculates a placement cohort based on a student’s start date, CCI also failed to produce information concerning student start dates. As a result, the Department is unable to assess those rates.

- Action required in response to this letter: Within 10 days of receipt of this letter, provide a schedule, with exact production dates, for the submission of the placement files for each location and year for which files have been requested. CCI must produce the evidence on which CCI relied to derive the placement percentages for each program at each campus to the Department within a reasonable period of time, as delineated on the submitted schedule, and include a written explanation as to why this information has not yet been provided. In addition, CCI must submit a description of the staffing it is using to comply with these requirements, including the number and titles of staff at each CCI location that are delegated to gathering the information, and the amount of time each staff person is devoting (on a daily basis) to the task at hand. Also, please indicate if any changes are being made to comply with the Department’s requirements in a more-timely manner. Furthermore, to the extent CCI relied on any re-verification telephone efforts, CCI must produce any documentation or data it has of those efforts.

- Waivers—January 23 letter, Page 4-5 Item C: The January 23, 2014 letter required production of information for students who have been “waived” from inclusion in the numbers of students available for placement and the reasons for those waivers. The documentation CCI submitted includes health-related reasons for waivers, and the following statements from some of these students: “I do not want to share my private information” or “I wish to keep my personal medical condition private.”
 - Action required in response to this letter: Provide a written explanation and justification as to whether such a statement meets minimum accreditor standards for waiver documentation, plus proof of those standards. If minimum standards have not been met, CCI must produce additional information about the reason for

these waivers. This information shall be produced within 10 days of receipt of this letter.

- Heald Colleges—January 23 letter, Page 4 Item C: CCI provided one worksheet containing placement information for each year of graduates. However, the worksheet does not provide campus information. Because Heald published PIR consumer disclosures on a campus basis, CCI must provide campus information for each graduate. CCI must reproduce the worksheet and include campus and OPE ID information.
 - Action required in response to this letter: Provide this data within 10 days of receipt of this letter and include a written explanation as to why it was not previously provided, including details specific to each Heald location.
- 2013 Data—January 23 letter, Page 4 Items A, B, and C: As a reminder, CCI must provide 2013 disclosure information when that becomes available.
 - Action required in response to this letter: Provide a date by which CCI will produce this information.
- Missing Placement Worksheets—January 23 Letter, Page 4-5 Item C:
 - CCI still has not produced the placement worksheets for the Decatur, GA location and certain years of data are missing for other schools. Specifically, CCI produced the Ft. Lauderdale, FL campus information for 2010-2011 but not for 2011-2012, yet it closed in March, 2012, and thus the 2011-2012 placement information should be available. The same is true for the Hialeah, FL location (no placement information produced for 2012-13); the Chicago, IL location (no worksheet produced for 2011-12); the Milwaukee, WI location (no worksheet produced for 2012-13); and the Arlington, VA location (no worksheet produced for 2012-13).
 - Many of the consumer disclosures CCI provided to students in 2010, 2011, 2012, and 2013 specify, in footnotes, that timeframes being reported include students who graduated in 2009. For example, the “Consumer Disclosures” CCI produced in the 2011 PIR folder specify timeframes in 2009. CCI failed to produce any data for placements of graduates in 2009 and must do so immediately. If the 2008 cohort is implicated for any such disclosures, please also produce data for those graduates from 2008.
 - Action required in response to this letter: CCI must produce all missing information within 10 days, and provide a written explanation as to why the information was not produced in response to the earlier correspondence.

As stated in the April 22, 2014 letter, if you believe that CCI has produced any of the above-referenced documentation, please direct the Department’s attention to where these materials exist.

Method of Payment: Transfer of CCI Schools to HCM1

The Department has transferred all CCI schools from Advance Payment to Heightened Cash Monitoring 1 (HCM1), effective immediately. This action is being taken as a result of CCI's failure to submit required documentation in a timely manner, as explained herein.

Under the HCM1 payment method, as stated at 34 C.F.R. § 668.162(e), CCI must first make disbursements to eligible students and parents before it requests or receives funds for the amount of those disbursements from the Department. This "Records First" requirement is fully described in the 2013-2014 Funding Authorization and Disbursement Information eAnnouncement, issued March 15, 2013. The funding request may not exceed the amount of the actual disbursements that were made to the students and parents included in the funding request. Providing the student accounts are credited before the funding requests are initiated, CCI institutions are permitted to draw down funds through the Department's electronic system for grants management and payments, G5, for the amount of disbursements it made to eligible students and parents. Disbursement records must be submitted to the Common Origination and Disbursement (COD) System at least seven days prior to the drawdown of Federal funds.

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

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

Reporting Requirement Under HCM1:

CCI schools must meet the reporting requirements listed below:

CCI must provide a disbursement roster containing the following information for each OPE ID # (including any required adjustments due to changes in enrollment status or withdrawals):

- Student Name
- Social Security Number
- Educational Program
- Campus Location
- OPE ID of Location
- Beginning Enrollment Date
- Current Enrollment Status
- Expected Completion Date
- Title IV, HEA Program

- Amount
- Disbursement Date
- Anticipated Date of G5 Drawdown
- Total Drawdown Amount by Program
- Total Drawdown Amount for Disbursement Roster

The disbursement rosters must be submitted directly to the e-mail address noted below. **CCI must first submit the roster and wait 21 business days from submission of the disbursement roster before drawing down the corresponding funds.** CCI must ensure that Personally Identifiable Information (PII) is protected.

In addition, CCI is required to provide information, by certified mail, no later than 10 days after receipt of notification of any of the following events:

- a) Any new adverse action, or letter advising CCI of potential adverse action, or change in status of an existing adverse action, including show cause, probation or similar action, taken against any CCI school by its accrediting agency or any federal oversight agency;
- b) Any new adverse action, or letter advising CCI of potential adverse action, or change in status of an existing adverse action taken against any CCI school by state licensure agencies;
- c) Any student complaints submitted to CCI from the respective accrediting agencies or state licensing agencies and information concerning the institution's resolution of the complaints;
- d) Any violation by CCI of any loan agreement and the discovery of information that suggests CCI is in jeopardy of breaching a debt covenant;
- e) The creation of new teach-out agreements, or changes to any teach-out agreements in place, including those approved by the institutions' accrediting agencies (and including those in place prior to the issuance of this letter);
- f) All other significant financial and other conditions, such as those required to be reported to CCI's shareholders and to the Securities and Exchange Commission;
- g) Any filing of a petition by or against CCI for relief in bankruptcy court.

CCI must also provide the following monthly updates, due on the last day of each month:

- i. Announcements or changes made to student consumer information regarding the institutions' degree and certificate program placement rates as required by 34 C.F.R. § 668.41(d)(5);
- ii. Copies of any and all correspondence between CCI and its accrediting agencies and state licensing agencies;
- iii. For students who graduated during the quarter, a summary of placement statistics of those students (numbers began in cohort; numbers graduated; numbers placed; number of waivers);
- iv. A worksheet consistent with those required in response to the Department's January 23, 2014 letter with placement information, including student contact and employer information (include all the same data as that required previously);

- v. A copy of each student's placement file (or a file for those who were counted as "waivers");
- vi. A worksheet reflecting all grade and attendance changes made during that quarter, at any CCI location.

CCI is also required to provide the Department with immediate notice of CCI's intent to close or sell any location. In addition, please provide the Department with a current list of all CCI locations that do not currently have teach-out agreements in place.

CCI must include, in its submission, a written notice detailing the circumstances surrounding any of the items listed above and, if necessary, measures considered or under consideration to resolve the issue.

Please note that this change in funding method does not preclude the Department from transferring CCI-owned institutions, individually or collectively, to another method of payment or taking adverse actions against the institutions.

The response to this letter and the notifications required under HCM1 must be sent to:

Gayle E. Palumbo, Ed.D.
Compliance Manager
San Francisco/Seattle School Participation Division
U.S. Department of Education
Federal Student Aid
50 Beale Street, Suite 9800
San Francisco, CA 94105-1863

E-mail: gayle.palumbo@ed.gov

Sincerely,



Robin S. Minor
Chief Compliance Officer
Program Compliance