

May 23, 2018

ELECTRONIC DELIVERY

██████████
President
Vatterott Educational Centers, Inc.
7000 Fleur Drive
Des Moines, Iowa 50321

System-wide Probation Order

Dear ██████████:

At the May 2018 meeting, the Accrediting Commission of Career Schools and Colleges (“ACCSC” or “the Commission”) considered its previous action to continue the ACCSC-accredited schools owned by Vatterott Educational Centers, Inc. (“VEC”)¹ on System-wide Warning. Upon review of the January 19, 2018 letter, and the schools’ response, the Commission voted to place each school within the system of VEC on Probation with a subsequent review scheduled for ACCSC’s **August 2018** meeting. The reason for the Commission’s decision and the Commission’s requirements for the schools to demonstrate compliance are set forth below.

History of the Commission’s Review:

August 2016 Review

At the August 2016 meeting, the Commission considered the audited consolidated financial statements for fiscal years ended December 31, 2015 and 2014 submitted by VEC. Upon review of the financial statements, the Commission voted to place each school within the VEC system of schools on Financial Reporting (“System-wide Financial Reporting”). ██████████
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February 2017 Review

At the February 2017 meeting, the Commission considered its previous decision to place VEC on System-wide Financial Reporting. Upon review of the September 8, 2016 System-wide Financial Reporting Letter and the schools’ response, the Commission voted to place VEC on Warning. ██████████

¹ See Appendix A for a complete list of ACCSC-accredited schools owned and operated by VEC.

[REDACTED]

[REDACTED]

August 2017 Review

At the August 2017 meeting, the Commission considered its previous action to place VEC on System-wide Warning. Upon review of the May 16, 2017 letter, and the schools' response, the Commission voted to continue each school within the system of VEC on Warning. [REDACTED]

[REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

○ [REDACTED]

- [REDACTED]
- [REDACTED]

Subsequent to VEC's response to the May 16, 2017 Commission letter, VEC entered into receivership with the State of Missouri. As such, the Commission noted that the schools' financial position as described in the response to the May 16, 2017 letter appears to have improved since the move to receivership. In addition, subsequent to the August meeting, VEC submitted the Application for Change of Ownership-Part II as required for the receivership process. The internally prepared same-day balance sheet included in the application does show an improvement to the financial condition of the schools; however, VEC stated that "[w]hile legally the 'pre-receivership' liabilities remain in place, the receivership process addresses such liabilities through a claims process, in which such liabilities will be paid from proceeds of the sale of the company in order of legal priority, rather than from Vatterott cash flow."

November 2017 Review

At the November 2017 meeting, the Commission considered its previous action to place VEC on System-wide Warning. Upon review of the August 25, 2017 letter, and the schools' response, the Commission voted to continue each school within the system of VEC on Warning. [REDACTED]

- [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
- [REDACTED]

May 2018 Review and Action

The Commission determined that the system of schools owned by VEC has yet to demonstrate that the financial structure of each school is sound, with resources sufficient for the proper operation of the school and discharge of obligations to its students (*Section I (C)(1), Substantive Standards, Standards of Accreditation*). [REDACTED]

- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Based on the foregoing, the Commission directs VEC to submit the following:

- a. An update on the receivership process and potential sale of the schools, including any information pertinent to the on-going financial viability of the schools should the sale of the schools not materialize;
- b. Audited financial statements for fiscal year end December 31, 2017 prepared in accordance with the requirements set forth in ACCSC's [Instructions for the Preparation and Submission of Financial Statements and Related Information](#);
- c. Internally prepared financial statements for six-month period of **January 1, 2018** through **June 30, 2018**, prepared and submitted in accordance with the requirements set forth in ACCSC's [Instructions for the Preparation and Submission of Financial Statements and Related Information](#);
- d. The fiscal year 2018 budget and a budget-to-actual analysis for the period of **January 1, 2018** through **June 30, 2018**;
- e. An updated MD&A explaining VEC's current financial condition and ability to project future financial soundness that minimally includes the following:
 - i. A discussion that addresses the schools' financial performance goals and results,
 - ii. A financial improvement plan to return to profitability,
 - iii. Anticipated future demands, events, conditions, and trends that may impact the school, and
 - iv. Specific comments relative to the schools' financial position and condition, its revenues and costs, assets and liabilities, and other obligations and commitments;
- f. Any update with regard to the schools' current status with the Department; and
- g. Any other information or documentation that VEC believes will assist the Commission in its review of the schools' financial position.
- h. A revised ACCSC [Institutional Teach Out Plan Approval Form](#) for **each** ACCSC-accredited institution along with a [Teach Out Agreement Approval Form](#) for any program that the school cannot or would not intend to complete the training should closure of the school occur;
- i. An attestation from a designated school official confirming that the school understands and will fully adhere to the notification requirements set forth in *Section V (E), Rules of Process and Procedure, Standards of Accreditation*, and that the school guarantees that it will provide at least 60-days advance notice to ACCSC, its state oversight authority, and the Department regarding any decision to cease operations; and
- j. An attestation, signed by a designated and authorized representative of each ownership entity/group of the school that pledges:
 - i. To ensure the allocation and commitment of the necessary financial and other resources and capital to the schools owned;
 - ii. That the delivery of training and services to students will not be materially disrupted; and
 - iii. That obligations to students will be timely met, should the school make a decision to cease operation.

PROBATION REQUIREMENTS:

In cases where the Commission has reason to believe that a school is not in compliance with accreditation standards and other requirements, the Commission may, at its discretion, place a school on Probation. A school subject to a Probation Order must demonstrate corrective action and compliance with accrediting standards. **Failure of the school to demonstrate compliance with accrediting standards or other accrediting requirements by the due date set forth herein may result in a revocation of accreditation action.**

The Commission will not consider substantive changes, a change of location/relocation, or additions (i.e., separate facilities, new programs) to a school or its separate facilities while the school is on Probation. However, a school that is subject to Probation may seek the Commission’s approval for the transfer of accreditation that would result from a change of ownership as described in *Section IV, Rules of Process and Procedure, Standards of Accreditation*.

In accordance with *Section X, Rules of Process and Procedure, Standards of Accreditation*, a summary of the Probation Order is made public and provided to the U.S. Department of Education, appropriate State agencies, and appropriate accrediting agencies. Moreover, in accordance with *Section X (C)(6), Rules of Process and Procedure, Standards of Accreditation*, the Commission has notified the U.S. Department of Education of this action pertaining to the findings related to the school’s federal financial aid responsibilities.

In accordance with *Section VII (L)(8), Rules of Process and Procedure, Standards of Accreditation*, a school subject to a Probation Order must inform current and prospective students that the school has been placed on Probation and that additional information regarding that action can be obtained from the Commission’s website.

MAXIMUM TIMEFRAME TO ACHIEVE COMPLIANCE:

The maximum timeframes for VEC campuses to achieve compliance are as follows (*Section VII (M), Rules of Process and Procedures, Standards of Accreditation*):

Campus	Longest Program	Maximum Timeframe	MTF Expiration
Vatterott College-Sunset Hills, Missouri	40 Months	24 months	May 23, 2020
All Other Vatterott Colleges	21 Months	18 Months	November 15, 2019
Vatterott Career Colleges	21 Months	18 Months	November 15, 2019
L’Ecole Culinaire	17 Months	18 Months	November 15, 2019

The Commission is under no obligation to wait for the maximum timeframe to expire and will likely take an adverse accreditation action prior to the expiration of the maximum allowable timeframe if the school’s financial condition does not improve substantially.

RESPONSE REQUIREMENTS:

By applying for accreditation, a school accepts the obligation to demonstrate continuous compliance with the *Standards of Accreditation*. While the Commission employs its own methods to determine a school’s compliance with accrediting standards, the burden rests with the school to establish that it is meeting the standards. The Commission’s deliberations and decisions are made on the basis of the written record and

thus a school must supply the Commission with complete documentation of the school's compliance with accrediting standards.

VEC must provide a response to the items expressed above that provides the information requested along with any additional information that the school believes supports a demonstration of compliance with accrediting standards.² If the school's response contains documentation that includes personal or confidential student or staff information that is not required for the Commission's review (e.g., social security numbers, dates of birth, etc.), please remove or redact that information.

VEC must upload the school's electronic response directly to ACCSC's College 360 Database. The ACCSC College 360 database can be accessed by [clicking here](#). Please note that the password utilized by the institution to access the Annual Report Portal is the same to access the School Submission section of the College 360 database. The Instructions for College 360 DMS Submissions can be found [here](#). A detailed overview on how to upload a school submission can be found [here](#).

Keep in mind, the school's response must be prepared in accordance with ACCSC's Instructions for Electronic Submission (e.g., prepared as one Portable Document Format ("PDF") file that has been prepared using Adobe Acrobat software (version 8.0 or higher) and which has a .pdf extension as part of the file name). The school will receive an e-mail confirmation that the file has been received within 24 hours of the submission.

The school's response must also include a signed certification attesting to the accuracy of the information and be received in the Commission's office **on or before July 15, 2018**. If a response and the certificate of attesting to the accuracy of the information is not received in the Commission's office **on or before July 15, 2018**, the Commission will consider further appropriate action.

For assistance with the password or for any other questions regarding the electronic submission requirements, please contact [REDACTED]. Please note that any password requests to access College 360 must be made by the school director, or designated member of the school's management team, via e-mail.

For further assistance or additional information, please contact [REDACTED]

Sincerely,



Michale S. McComis, Ed.D.
Executive Director

Encl.: Appendix A: ACCSC-Accredited Institutions Owned and Operated by Vatterott Educational Centers, Inc.

² ACCSC has issued two modules of the **Blueprints for Success Series** – [Organizing an Effective Electronic Submission](#) and [Preparing a Comprehensive Response for Commission Consideration](#) – which provide a framework for submitting a well-documented, organized, electronic response for Commission consideration. ACCSC encourages the school to review these modules when formulating its response to this letter. More information is available in the [Resources section](#) at www.accsc.org.

Appendix A

ACCSC-Accredited Institutions Owned and Operated by Vatterott Educational Centers, Inc.

Vatterott College
Quincy, Illinois
#M000657

Vatterott College
Warr Acres, Oklahoma
#B070185

L'Ecole Culinaire
Cordova, Tennessee
#B072187

Vatterott College
Berkeley, Missouri
#M001095

Vatterott College Extreme
Institute
St. Louis, Missouri
#S460453

Vatterott College
Joplin, Missouri
#B065984

Vatterott College
Kansas City, Missouri
#B065985

Vatterott College
Springfield, Missouri
#B065986

Vatterott College
Sunset Hills, Missouri
#B070155

Vatterott College
Tulsa, Oklahoma
#B070253

Vatterott Career College
Memphis, Tennessee
#B070327

Vatterott College
Wichita, Kansas
#B070328

Vatterott College
Broadview Heights, Ohio
#B070540

Vatterott College
St. Charles, Missouri
#B070782

Vatterott College
Fairview Heights, Illinois
#B072153

L'Ecole Culinaire - Kansas
City
Kansas City, Missouri
#B072415

Vatterott College
Des Moines, Iowa
#M070265

L'Ecole Culinaire
St. Louis, Missouri
#B070762

Vatterott Career College
Memphis, Tennessee
#B072164