



July 26, 2016

William J. Winkowski, President
JTC Education Holdings, Inc. and Subsidiary
6612 E. 75th Street, Suite 200
Indianapolis, IN 46250

UPS Tracking Number:
1ZA879640294713037

RE: Provisional/LOC Alternative
00736200 – Medtech College
02588900 – Medtech College
04190000 – Radians College

Dear Mr. Winkowski:

The Multi-Regional and Foreign Schools Participation Division (MR&FSPD) has completed its review of the December 31, 2015 audited consolidated financial statements of JTC Education Holdings, Inc. and Subsidiary (JTC). In assessing the financial strength of JTC, our financial analyst reviewed the financial statements using the indicators that are set forth in regulations at 34 C.F.R. § 668.15.

Financial Ratios 34 C.F.R. § 668.171(b)(1)

The statements yield a composite score of -1.0 out of a possible 3.0. A minimum score of 1.5 is necessary to meet the requirement of the financial standards. Accordingly, JTC fails to meet the standards of financial responsibility as described in 34 C.F.R. § 668.175, Financial Ratios. In addition, we note:

- JTC continues to have a failing composite score, and has not met the minimum composite score since FY 2009.
- JTC FY 15 Total Liabilities \$104,340,752 exceeds Total Assets \$21,178,975.
- During the year ended December 31, 2015, JTC suffered a net loss aggregating of (\$57,198,567).
- JTC continues to have compliance audit findings related to failure to meet factors of financial responsibility and Return of Title IV funds made late.
- The denial of OPE ID 02588900's application for recertification. As described in separate correspondence, that recertification denial was based upon misrepresentation of

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

Federal Student Aid, Multi-Regional and Foreign Schools Participation Division
830 First Street NE, Union Center Plaza, 7th Floor, Washington, DC 20202-5340
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job placement outcomes and potentially exposes the Department to borrower defense loan discharges based on misrepresentations by Medtech.

- While evaluating OPEID 02588900's application for recertification, the Department learned that Medtech used a third-party job placement verifier without notifying the Department or incorporating the safeguards required by 34 C.F.R. § 668.25. Some of the job placement outcome misrepresentations uncovered during that evaluation were linked to that third-party servicer, and OPEID 00736200 used the same servicer for the same purpose. Accordingly, the Department has determined that there is additional financial risk associated with the ongoing operation of OPEID 00736200, and has taken that into consideration when setting the amounts of the Letters of Credit described below.

In view of JTC's failure to meet the financial responsibility standards, OPEIDs 00736200 and 04190000 may continue to participate in the Title IV, HEA programs by choosing one of two alternatives.

1. Letter of Credit (LOC) Alternative (34 C.F.R. § 668.175(c))

Under this alternative, JTC is required to submit an irrevocable letter of credit in the amount of \$36,632,883. This amount represents 80% of the Title IV, HEA program funds received by OPEIDs 00736200, 02588900, and 04190000 during JTC's most recently completed fiscal year. By choosing this option, OPEIDs 00736200 and 04190000 qualify as financially responsible. This LOC must expressly allow the Department to draw on it for claims arising from OPEIDs 00736200, 02588900, and 04190000.

2. Provisional Certification Alternative (34 C.F.R. § 668.175(f))

Under this alternative, JTC must post a letter of credit in the amount of \$18,318,441. OPEIDs 00736200 and 04190000 would be provisionally certified for a period of up to three complete award years. This amount represents 40% of the Title IV, HEA program funds received by OPEIDs 00736200, 02588900, and 04190000 during JTC's most recently completed fiscal year. This LOC must expressly allow the Department to draw on it for claims arising from OPEIDs 00736200, 02588900, and 04190000.

JTC must comply with all of the requirements specified for the Provisional Certification Alternative in 34 C.F.R. § 668.175(f), including the Zone Alternative in 34 C.F.R. § 668.175(d)(2) and (3), and Requesting Funds 668.162(e), including the disbursement of Title IV, HEA program funds under the Heightened Cash Monitoring 1 (HCM1) payment method. By choosing this option, JTC acknowledges that it has not met the U.S. Department of Education's (Department) standards of financial responsibility.

Compliance with Zone Alternative Requirements:

1) **Method of Payment** – JTC is required to make disbursements to eligible students and parents under either the reimbursement or cash monitoring payment method as described under 34 C.F.R. § 668.162(d) and (e). If the institution selects the provisional certification alternative, the institution will be placed on the HCM1 payment method.

Under the HCM1 payment method as stated in 668.162(e), the Institution 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, the Institution is 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.

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 returning to Advanced Funded status, the institution 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.

2) Notification Requirements - JTC is required to provide information to the MR&FSPD by certified mail or electronic or facsimile transmission no later than 10 days after any of the oversight or financial events, as described below, occur. JTC must also include with the information it submits, written notice that details the circumstances surrounding the event(s) and, if necessary, what steps it has taken or plans to take, to resolve the issue.

- Any adverse action, including probation or similar action, taken against the Institution by its accrediting agency, State authorizing agencies or other Federal agency;
- Any event that causes the Institution, or related entity as defined in the Statement of Financial Accounting Standards (SFAS) 57, to realize any liability that was noted as a contingent liability in the Institution's or related entity's most recent audited financial statements;
- Any violation by the Institution of any loan agreement;
- Any failure of the Institution to make a payment in accordance with its debt obligations that results in a creditor filing suit to recover funds under those obligations;
- Any withdrawal of owner's equity/net assets from the Institution by any means, including by declaring a dividend; or
- Any extraordinary losses as defined in accordance with Accounting Principles Board (APB) Opinion No. 30
- Any filing of a petition by the Institution for relief in bankruptcy court.

Additional Reporting Requirements – Under the Zone Alternative, In order for the Department to monitor the Institution's progress in improving the Institution's financial stability, JTC must continue to provide the following information about its current operations and future plans, within the timeframe outlined in the Department's September 03, 2015 letter to JTC:

- JTC's 13 week projected cash flow statement that breaks-out each anticipated inflow and outflow by line item and amount, with business and financial disclosure notes included within the 13 week projected cash flow statement that outlines the following:
 - Any important financial transaction that has a material effect on JTC's financial condition.
 - Any mergers, acquisitions, business expansions, and/or corporate restructuring.
 - Any announced or upcoming location expansions and/or closures.
 - Any new programs JTC plans to offer within the next 60 days at one or more locations that participate in the federal student aid programs.

The cash flow statement should be sent to the Department via electronic mail (email) on a **Bi-Weekly Basis**.

In addition to the cash flow statements the Department is requiring JTC to submit a Student Roster that includes both On-Campus Students and Online Students (if applicable) in Microsoft Excel format with the following information on a **Monthly Basis**:

- Student Name, 4 Digit SSN, DOB, Student Address (Divided into 4 Fields by Street Address, City, State & Zip Code), Phone Number, Email Address, Program of Study, Educational Delivery Method (On-Campus Only, Online Only, or Both On-Campus and Online), Program Start Date, Anticipated Graduation Date, Current Enrollment Status (Active, Leave of Absence), 8 digit OPEID, Educational Location (Divided into 4 Fields by Street Address, City, State & Zip Code), Name of the High School from which the Student received their High School Diploma, and High School Graduation Date.

JTC is also required to submit enrollment statistics for its non-Title IV programs.

Documents containing Personally Identifiable Information (PII) being submitted to the Department via electronic mail must be password protected. PII is any information about a student which can be used to distinguish or trace the student's identity (some examples are name, social security number, date and place of number, special character).

Please submit documents via email to the following contacts:

Tiffany Hill, Financial Analyst (Tiffany.Hill@ed.gov)
Shari Mecca, Case Manager (Shari.Mecca@ed.gov)

If JTC fails to provide the information requested, we will be unable to determine if the financial responsibility standards have been met. Therefore, JTC may be referred to the Administrative Actions and Appeals Service Group (AAASG) for administrative action.

Letter of Credit (LOC) Requirements

The letter of credit is necessary in the event that the Institution would close or terminate classes at a time other than the end of an academic period. It assures the Secretary that funds would be available to make refunds, provide to teach-out facilities, and meet institutional obligations to the Department.

Our records indicate that JTC has LOC: OSB7586C on file for \$9,852,544, which is scheduled to expire on December 31, 2016. JTC may provide a new LOC or a LOC Amendment. If an amendment is submitted, it must be a separately numbered amendment issued by the financial institution that clearly indicates the total LOC amount and new expiration date.

A sample irrevocable letter of credit is enclosed. JTC's LOC must be issued by a bank in the United States. JTC's lending institution must use this format on its letterhead with no deviation in the language contained therein. The letter of credit must provide coverage until December 31, 2017. The irrevocable LOC must be received within 75 days from the date of this letter. Please note that if JTC fails to provide the irrevocable LOC within 75 days the institution may be referred to the Department's AAASG office for termination and/or other administrative action under 34 C.F.R. § 668.86. Also, note that information regarding the financial analysis score, results, and the LOC is subject to the Freedom of Information Act (FOIA) of 1966, as amended.

Please mail the irrevocable LOC to the following address:

Veronica Pickett, Director
Performance Improvement and Procedures Service Group
U.S. Department of Education
Federal Student Aid/Program Compliance
830 First Street, NE, UCP3, MS 5435
Washington, DC 20002-8019

JTC is required to notify the MR&FSPD within 3 calendar days, in the event the LOC issuing institution should fail, resulting in financial transactions and operations being administered by the Federal Deposit Insurance Corporation. JTC will also be required to submit a new replacement LOC issued by a different and non-failed U.S. bank within 75 calendar days.

Promptly contact Henry A. Johnson, Payment Analyst for the MR&FSPD at (202) 377-4589 with any questions regarding JTC's current DL award authorization level or the Records First requirements. If you have any questions regarding the financial responsibility determination, or disagree with the reason or methodology used for this determination, please contact Tiffany Hill, Financial Analyst, within 30 calendar days at (202) 377-4225.

Sincerely,



Michael J. Frola
Director, Multi-Regional and Foreign Schools Participation Division

Enclosures: Sample Irrevocable Letter of Credit
Department's September 03, 2015 Letter JTC Education Holdings, Inc.

cc: William Winkowski, President (wwinkowski@medtech.edu)
Council on Occupational Education

Accrediting Commission of Independent Colleges and Schools
DC Education Licensure Commission
FL Commission for Independent Education – Florida Department of Education
IN Commission on Proprietary Education
KY State Board for Proprietary Education
VA State Council of Higher Education for Virginia
MD Higher Education Commission

IRREVOCABLE LETTER OF CREDIT

<Insert name, address and telephone number of issuing bank>

To beneficiary:

U.S. Department of Education
ATTN: Veronica Pickett, Director
Performance Improvement and Procedures Service Group
Federal Student Aid/Program Compliance
830 First Street, NE, UCP3, MS 5435
Washington, DC 20002-8019

Date: <Insert Date LOC Issued>

Amount: \$ <Insert U.S. Dollar amount>

Expiration Date: <Insert Date>

Dear Sir/Madam:

We hereby establish our Irrevocable Letter of Credit Number <Insert LOC Number> in your favor for the account of:

<Insert Name and Address of Institution>

OPE-ID #: <Insert 8 digit Office of Postsecondary Education ID number>

Hereafter, <Insert Name of Institution> ("Institution"), presents, in the amount of \$<Insert Dollar Amount> (U.S. dollars), available by your draft (or drafts drawn on us) at sight accompanied by:

- a) the original of this letter of credit instrument (along with originals of all amendments), and
- b) a statement signed by the Secretary ("Secretary"), U.S. Department of Education ("Department"), or the Secretary's representative, certifying that the drafted funds will be used for one or more of the following purposes, as determined by the Secretary:
 - 1) to pay refunds of institutional or non-institutional charges owed to or on behalf of current or former students of the Institution, whether the Institution remains open or has closed,
 - 2) to provide for the "teach-out" of students enrolled at the time of the closure of the Institution, and
 - 3) to pay any liabilities owing to the Secretary arising from acts or omissions by the Institution, on or before the expiration

U.S. Department of Education
Irrevocable Letter of Credit for
<Insert Name of Institution>
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of this letter of credit, in violation of requirements set forth in the Higher Education Act of 1965, as amended ("HEA"), including the violation of any agreement entered into by the Institution with the Secretary regarding the administration of programs under Title IV of the HEA.

Should the Institution fail to renew the letter of credit within ten (10) days prior to its expiration, as directed by the Department, the Department may call the letter of credit and place the funds in an escrow account at the Department pending a prompt determination of the extent to which those funds will be used in accordance with subparagraphs 1) through 3), above.

We hereby agree with you that partial drawings are permitted and that drafts drawn under and in compliance with the terms of this letter of credit will be duly honored upon due presentation at our offices on or before the expiration date of this letter of credit.

This letter of credit is subject to the International Standby Practices (ISP98), International Chamber of Commerce Publication Number 590.

Printed Legal Name

Authorized Signature

Date Signed

Printed Official Title of Authorized Signer