



September 14, 2018

Ms. Yolanda T. Duran, President
Advance Beauty Techs Academy
2191 Sampson Avenue, Suite 105
Corona, California 92879-6572

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RE: Letter of Credit Request – First Year Past Performance
Provisional Certification Continued
OPE ID: 04206800

Dear Ms. Duran:

On August 31, 2018 the Department of Education (Department) sent a letter citing Advance Beauty Techs Academy (ABTA) for failure to timely submit an acceptable annual compliance audit and/or financial statement submission for its fiscal year ended (FYE) December 31, 2017. This letter advises you that untimely submissions constitute a failure of financial responsibility under the Department's regulations. The missing reports must be submitted immediately.

On September 5, 2018 you advised the Department that the FYE December 31, 2017 submission is untimely because ABTA's records could not be made available for the audit.

Pursuant to 34 C.F.R. §§ 668.171(c)(2), 668.171(d)(2) and 668.174(a)(3), an institution is not financially responsible if the institution has been cited during the preceding five years for failure to timely submit an acceptable annual compliance and/or financial statement audit. This means that ABTA will not be financially responsible under the Department's regulations for five years from the date of this letter, or longer if ABTA provides untimely submissions in subsequent years.

In view of its failure to meet the financial responsibility requirements under the regulations, ABTA may continue participation in the Title IV, HEA programs under its existing Provisional Program Participation Agreement (PPA), effective December 18, 2015 as required by 34 C.F.R. § 668.175(f)(1). The current PPA expires on September 30, 2018. Because this is a failure of the financial responsibility regulations, ABTA is also required to post an irrevocable letter of credit (LOC) for a period of five years. Upon receipt of the FYE December 31, 2017 audited financial statements and compliance audit, and the LOC, the Department may issue ABTA a new Provisional PPA.

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Under the Provisional Certification Alternative, per 34 C.F.R. § 668.175(f)(2)(i), ABTA is required to submit an irrevocable LOC in the amount of \$48,145. This amount represents 10% of the Title IV, HEA program funds received by ABTA for the most recently completed fiscal year. Please note that the LOC amount will change based on the funds received in subsequent fiscal years by ABTA. Therefore, the Department will advise you of any future amendments needed to the LOC.

This Provisional Certification Alternative also requires, per 34 C.F.R. § 668.175(f)(2)(iii), compliance with the provisions under the Zone Alternative which are specified at 34 C.F.R. § 668.175(d)(2) and (3) including the Heightened Cash Monitoring 1 (HCM1) payment method.

Letter of Credit Requirements

A sample of an irrevocable LOC is enclosed. Your lending institution must use this format on its letterhead with no deviation in the language contained therein.

ABTA's LOC must:

1. Be issued by a United States bank

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

2. Cover the five year period from issuance date through December 31, 2023.

3. Be received 75 calendar days from the date of this letter

Please note that if ABTA fails to provide the irrevocable LOC within 75 calendar days, the institution will be subject to termination under 34 C.F.R. § 668.86, revocation of its Program Participation Agreement (PPA), or **denial of its pending application for recertification.**

Please note that information regarding the LOC is subject to the Freedom of Information Act (FOIA) of 1966, as amended.

Our records indicate that ABTA has a late refund finding LOC (#13-SB-5044 for \$7,778) which is scheduled to expire on January 30, 2019. If there is no late refund finding in the FYE December 31, 2017 compliance audit report, the LOC may be released. There was no late refund finding in the FYE December 31, 2016 compliance audit report.

ABTA may provide a new LOC or an LOC amendment. If an LOC amendment is submitted, it must be a separately numbered amendment issued by the financial institution clearly indicating the LOC amount and new expiration date.

The irrevocable LOC must be made payable to the Secretary, U.S. Department of Education and mailed to the following address:

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

Zone Alternative Requirements:

- 1) **Method of Payment** – ABTA is required to make disbursements to eligible students and parents under the Heightened Cash Monitoring 1 (HCM1) method of payment as described under 34 C.F.R. § 668.162(e)(1).
- 2) **Notification Requirements** - ABTA is required to provide information to the SPD by certified mail or electronic or facsimile transmission no later than 10 days after any of the oversight or financial events, as described below, occur:
 - Any adverse action, including probation or similar action, taken against ABTA by its accrediting agency, the State of California, or other Federal agency;
 - Any event that causes ABTA, or related entity as defined in the Statement of Financial Accounting Standards (SFAS) 57, (ASC 850), to realize any liability that was noted as a contingent liability in ABTA's or related entity's most recent audited financial statements;
 - Any violation by ABTA of any loan agreement;
 - Any failure of ABTA 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 ABTA by any means, including by declaring a dividend;
 - Any extraordinary losses as defined in accordance with Accounting Principles Board (APB) Opinion No. 30; (ASC 225); or
 - Any filing of a petition by ABTA for relief in bankruptcy court.

ABTA 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.

It is very important that ABTA submit its audited financial statements and compliance audit, as well as the LOC, as soon as possible. Please note that failure to do so will result in the denial of ABTA's pending recertification application.

Advanced Beauty Techs Academy

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If you have any questions regarding this matter, please feel free to contact Michael Fuller,
Financial Analyst, at (206) 615-3686.

Sincerely,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Martina Fernandez-Rosario

Division Director

San Francisco/Seattle School Participation Division

Enclosure: Sample Irrevocable Letter of Credit

cc: National Accrediting Commission of Career Arts and Sciences
California Bureau for Private Postsecondary Education