

Exhibit B



UNITED STATES DEPARTMENT OF EDUCATION
FEDERAL STUDENT AID
ASEDS/School Eligibility Channel
San Francisco / Seattle School Participation Team
701 Fifth Avenue, Suite 1600, Seattle, WA 98104
(206) 615-2594

May 31, 2005

Mr. Alen Janisch, President
Court Reporting Institute
929 North 130th Street, Suite 2
Seattle, Washington 98133

Certified Mail
Return Receipt Requested
7004 1350 0003 5963 8842

PRCN: 200441023525

Dear Mr. Janisch,

On September 27, 2004, a program review was conducted of the Title IV Federal Student Financial Assistance (FSA) programs administered at Court Reporting Institute (CRI). The findings of that review are presented in the enclosed report.

This report contains findings regarding the school's administration of FSA programs. Following are some of the report's findings of non-compliance: (1) Satisfactory Academic Progress Standards Not Adequately Developed, (2) Late Return to Title IV, (3) Missing FFEL Exit Interview.

Findings of non-compliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statutes and regulations. Please review the report and respond to each finding, indicating the specific corrective actions taken by the institution. Your response should be sent directly to this office within thirty (30) days of the date of this letter.

I would like to express my appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number in all correspondence relating to this report. If you have any questions concerning this report, please call DeNise L. Hill at (206) 615-3638.

Sincerely,

A handwritten signature in cursive script, appearing to read "DeNise L. Hill".

DeNise L. Hill
Institutional Review Specialist
ASEDS/School Eligibility Channel

Enclosure

cc: Barb Zimmerman, Financial Aid Director

A. INTRODUCTION

Court Reporting Institute (CRI) is a proprietary institution located in Seattle, Washington. The school is accredited by the Accrediting Council for Independent Colleges and Schools. The college offers programs in Court Reporting, Professional Sales and Marketing, Network Administration and Computer Programming. The College was established in 1988. CRI opened two additional locations in 1994 and 1996 in San Diego, California and Boise, Idaho respectively.

Court Reporting Institute participates in the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work-Study, and the Federal Family Education Loan Programs.

B. SCOPE OF REVIEW

A program review was conducted on September 30-October 3, 2003 to examine the administration of the Federal Student Aid programs. The focus of the review was to determine CRI's compliance with the statutes and federal regulations as they pertain to the institution's administration of the FSA programs. The review consisted of, but was not limited to, an examination of the school's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records. In addition, interviews were conducted with students and appropriate institutional personnel.

A statistically valid sample was identified for review from the 2001-2002, and 2002-2003 award years. From this sample, a random sample of 30 student files was selected. The student files were reviewed in detail, including academic, admissions, financial aid and fiscal records. An appendix is attached to this report that lists the names and social security numbers of all students whose files were examined during the review. Students are referenced throughout this report by the numbers noted in the appendix.

During the visit, some areas of non-compliance were noted. Findings of non-compliance are referenced to the applicable laws, regulations, and policies. The findings specify the actions the institution must take to ensure compliance with regulations and statutes that govern the FSA programs. Any harm caused to these programs due to non-compliance with applicable laws, regulations, and policies is identified.

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning the institution's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve CRI of its obligation to comply with all of the statutory or regulatory provisions governing the FSA programs.

C. FINDINGS AND REQUIREMENTS

1. Satisfactory Academic Progress Standards Not Adequately Developed

Finding:

Institutions participating in the Title IV programs are required by Title IV regulations to develop and consistently implement a Satisfactory Academic Progress (SAP) Policy. This policy must address the qualitative and quantitative requirements each student must follow to remain eligible for Title IV aid. The SAP policy, as stated in the CRI catalog, is not in full compliance with the quantitative component of SAP.

Specifically, CRI offers a 3000 clock hour Court Reporting Program. Students enrolled in this program are allowed to earn up to 4500 clock hours to complete the program. However, this does not satisfy the maximum timeframe requirement that specifies each student complete their program of study in one and one-half times the published length of the program. The published length of the program, according to the school's catalog is 3000 clock hours to be completed in 30 months. The maximum timeframe should be calculated in terms of months and not in terms of clock hours. Therefore, students enrolled in the program can only complete 3000 clock hours, but have up to 45 months to do so.

By not adequately or consistently monitoring (SAP) standards for its students, the institution may be disbursing Title IV aid to ineligible students; this deprives other eligible students of aid and creates increased expense for the U.S. Department of Education.

References: 34 CFR 668.16(e), 34 668.32(f), 34 668.34 Student Assistance General Provisions

Requirement:

The institution must revise its SAP policy to accurately comply with the quantitative requirements of Satisfactory Academic Progress as defined in 34 CFR 668(e).

The Quantitative standard is defined as: A maximum timeframe in which the student must complete his or her educational program. The timeframe must be: (1) based on the student's enrollment status; (2) for an undergraduate program no longer than 150 percent of the published length of the educational program for a full-time student; and (3) divided into increments of equal size, not to exceed the lesser of one academic year or one-half the published length of the educational program.

To ensure that a student makes sufficient progress throughout the course of study, your academic progress policy must divide the maximum timeframe into equal evaluation periods called increments. An increment can't be longer than half the program or one academic year, whichever is less. For example, for a 3000 clock hour program, an increment must not exceed 900 clock hours if the school defines the academic year as

900 clock hours. Increments generally coincide with payment periods.

If at any point it's clear the student will not be able to meet the quantitative standard by the completion date the student becomes ineligible for aid.

At some schools (mainly clock-hour) a student is given credit for every hour attended, so that the hours attempted equal the hours earned. In such cases the quantitative standard must be based on calendar time in weeks or months).

The total length of the course is 3000 clock hours, which as stated in the school's catalog could be completed within 30 months, making the maximum timeframe 45 months. Therefore, the student should complete a total of 3000 clock hours, not 4500 clock hours. Once the student has completed 3000 clock hours they are no longer eligible to receive Title IV funds.

In response to this finding, CRI must revise its current SAP policy to comply with the regulatory requirements. A copy of the revised policy must be submitted to this office.

The institution must also review all files for students enrolled in the 3000 clock hour Court Reporting Program for the 2001-2002, 2002-2003, 2003-2004, and 2004-2005 award year identifying those who received Title IV funds in excess of 3000 clock hours. Please submit the following information for each student:

- Student Name
- Social Security Number
- Award Year
- Enrollment Date/Graduation Date/Withdrawal Date
- Total number of Clock Hours
- Type of Aid Received/Amount

Instructions for the payment of any liability will be forwarded in the Final Program Review Determination letter.

important



2. Late Return of Title IV Funds

Finding:

The institution failed to return Title IV funds to the appropriate programs within the required timeframe. The documentation found in the student file indicated that return to Title IV calculations were not performed timely; therefore the return of funds was made in excess of the 30 day requirement.

<u>Student</u>	<u>Withdrawal Date</u>	<u>Check Dated</u>
(b)(6)		

An institution's failure to return funds to the Title IV programs timely results in the institution receiving funding to which it is not entitled.

Reference: 34 CFR 668.22, Student Assistance General Provisions

Requirement:

Funds allocated to be returned to the Title IV, HEA programs must be returned to the appropriate program account within 30 days of the date that the student officially withdraws, or the institution determines that a student has unofficially withdrawn.

The institution has addressed this item in their FSA compliance audit and has provided the Department with an irrevocable letter of credit to satisfactorily comply with the regulatory requirement.

In response to this finding, the institution must develop and implement procedures to ensure that the return of Title IV funds are made within the required timeframe. A copy of those procedures must be provided with your response.

letter of credit w/ Steve Fleischman handwritten

3. Return of Title IV Calculation Not Documented

Finding:

Institutional records document that student (b)(6) withdrew from CRI, however, there was no documentation in the files that a return to Title IV calculation had been performed for these students.

An institution's failure to perform and/or document return to Title IV calculations may deprive students of funds.

Reference: 34 CFR 668.22, Student Assistance General Provisions

Requirement:

If a student withdraws, drops out, takes an approved leave of absence, is expelled or otherwise fails to complete their program on or after his or her first day of class of the period of enrollment, the institution must perform a return to Title IV calculation and ensure a copy of documentation is retained.

In response, the institution must provide copies of the calculations for the aforementioned students.

4. Student Credit Balances Violations

Finding

The institution did not refund excess Federal Student Aid (FSA) funds to students (i.e., credit balances) in a timely manner. Specifically, CRI credited students' tuition accounts with FSA program funds in excess of the students' contracted charges. This practice is acceptable, provided that the appropriate student authorization is on file. However, in several instances these credit balances were not paid to students in a timely manner, as prescribed by Federal regulations.

Credit balances for Students ^{(b)(6)} were held on the student's account beyond their loan periods. Credit balances for Students ^{(b)(6)} were returned in later than the 14 day requirement.

Withholding student credit balances results in the institution receiving funding to which it is not entitled, thus causing needy students to be deprived of SFA funds.

References

34 C.F.R. §668.164; 34 CFR 668.165, Student Assistance General Provisions
34 C.F.R. §690.78, Federal Pell Grant Program;
HEA §445(c)

Required Actions

FSA funds received by the institution must be used for educational costs incurred by the student. If the student's direct charges at the school are paid, excess funds must be promptly delivered to the student for indirect costs. Federal regulations require that excess funds be returned to the student (or parent) within 14 days after the balance occurs. An institution may secure a student's written permission to retain funds for budgeting purposes. However, an institution may not require or coerce the student (or

parent) to provide that authorization, and must allow the student (or parent) to rescind that permission at any time. Additionally, the school must pay any remaining loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end the last payment period in the award year for which they were awarded.

In response to this finding, the institution must implement procedures to ensure that student credit balances are identified and refunded in a timely manner. A copy of such procedures must be provided with the institution's response to this report.

3. Federal Family Education Loan (FFEL) Exit Counseling Not Documented/Performed

Finding:

There was no evidence that the institution performed the required FFEL exit counseling
(b)(6)

The institution's failure to provide exit loan counseling increases the possibility of students defaulting on his or her loan. FFELs that go into default status create increased expense for the U.S. Department of Education.

Reference: 34 CFR 668.604(g), Federal Family Education Loan

Requirement:

The institution must conduct an in-person interview with each Federal Family Education Loan before the student ceases enrollment on at least a half-time basis in order to emphasize the obligation and consequences of default. General information such as repayment options, consolidation and debt management strategies must also be provided to the borrower. If the borrower withdraw/graduates without the institution's prior knowledge and did not attend an exit interview, the institution must mail written counseling materials to the borrower within 30 days after learning the borrower has withdrawn/graduated.

The institution must perform the required exit loan counseling for the above-mentioned students and submit proof with its response to this report. Certified mail receipts will be considered adequate documentation. In addition, the institution must provide its assurances that exit loan counseling will be performed in a timely manner for all FFEL borrowers.

Court Reporting Institute
929 North 130th Street, Suite 2
Seattle, Washington 98133

INSTITUTIONAL REVIEW DATA SHEET

DATES OF REVIEW: September 30 – October 3, 2003

AWARD YEARS REVIEWED: 2001-2002 2002-2003

STUDENT SAMPLE SIZE: 15 15

OPE ID#: 03052200

TIN #: 911399772

PRCN: 200341022344

TYPE AND CONTROL: Proprietary

ACCREDITATION: Accrediting Council for
Independent Colleges and Schools

REVIEWING ED OFFICIAL: DeNise L. Hill

FSA PROGRAM PARTICIPATION:

2001-2002	2002-2003	
\$ 653,055	\$ 832,654	Federal Pell Grant Program
1,007,378	1,055,697	Subsidized FFELP
1,289,331	1,472,512	Unsubsidized FFELP
170,763	143,847	Federal PLUS Loan Program
66,140	66,602	Federal SEOG Program
71,867	88,114	Federal Work-Study Program

DEFAULT RATE:

2002: 8.2%
2001: 13.4%
2000: 9.9%

METHOD OF FUNDING: Advance Payment

INSTITUTIONAL OFFICIALS CONTACTED:

Mr. Alen Janisch, President
Mrs. Barb Zimmerman, Financial Aid Director
Mrs. Khin Ni, Chief Financial Officer

Exhibit C



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November 10,2005

Mr. Alen Janisch, President
Court Reporting Institute
929 North 130th Street, Suite 2
Seattle, Washington 98133

PRCN: 200441023525

**SUBJECT: Title IV Federal Student Aid Program Review of Court Reporting
Institute, September 27, 2003 – September 30, 2003**

Dear Mr. Janisch,

The May 31, 2005 program review report addressed the above-referenced review of Court Reporting Institute's administration of the Title IV, HEA programs for the award years 2001-2002 and 2002-2003. In response to the review this office is in receipt of your letters dated June 17, 2005 and July 18, 2005. Our response to the findings identified in the program review report will follow the same format as the original report.

FINDINGS AND REQUIREMENTS

1. Satisfactory Academic Progress Standards Not Adequately Developed

Finding:

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