



June 23, 2021

SENT VIA EMAIL to [ward.ulmer@mail.waldenu.edu](mailto:ward.ulmer@mail.waldenu.edu)

Dr. Ward Ulmer  
President  
Walden University  
100 Washington Avenue South, Suite 900  
Minneapolis, MN 55401-2511

Re: **Pre-Acquisition Review of the Proposed Change in Ownership Application Walden University, OPE ID: 02504200**

Dear Dr. Ulmer:

The U.S. Department of Education, Office of Federal Student Aid (“Department”) has conducted a Comprehensive Pre-Acquisition Review (“CPAR”) of the application for continued participation in programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq (“Title IV, HEA programs”) following a change in ownership (“CIO”) of Walden University (“Walden”).

The Department issued an Initial Request for Information Letter (“IR”) regarding Walden’s application for a CPAR. Responsive documents were provided by Walden which included the Ownership Structure --Pre-Transaction and Post-Transaction (“Ownership Structure”). The pre-transaction and post-transaction ownership based on the Ownership Structure by Walden are below:

**Pre-Transaction**

Ownership	Walden University OPE ID: 02504200	State and Date of Incorporation or Organization	Type of Owner	Percent Owned
Level 1	Walden University, LLC (“WU, LLC”)	Florida, USA 8/28/1992	Limited Liability Company	100%
Level 2	Walden e-Learning, LLC (“WUE, LLC”)	Florida, USA 9/8/2004	Limited Liability Company	100%
Level 3	Laureate Education, Inc. (“Laureate”)	Maryland, USA 12/6/1989	Publicly Traded Corporation	100%
Level 4	Wengen Alberta Limited Partnership (“Wengen”)	Canada 1/28/2020	Limited Partnership	82.6%

### Post-Transaction

Ownership	Walden University OPE ID: 02504200	State and Date of Incorporation or Organization	Type of Owner	Percent Owned
Level 1	WU, LLC	Florida, USA 4/1/2009	Limited Liability Company	100%
Level 2	WUE, LLC	Florida, USA 9/8/2004	Limited Liability Company	100%
Level 3	Adtalem Global Education, Inc. ("Adtalem")	Delaware, USA 8/3/1987	Publicly Traded Corporation	100%

Currently, Walden is owned by WU, LLC (Level 1 owner).

Under the proposed transaction, Adtalem will acquire 100% of WUE, LLC and become the new Level 3 owner. WU, LLC will continue to be wholly owned by WUE, LLC. The parties plan to close the transaction and transfer ownership on or about July 1, 2021.

A CPAR is undertaken prior to a CIO so that the Department can preliminarily advise an institution whether the Department has identified any problems with the institution's application or the proposed transaction, and to identify, to the extent feasible, any additional conditions that may be imposed in a Provisional Program Participation Agreement ("PPPA") between the institution and the Department. This letter sets out the results of the Department's review of Walden's application for its continued participation in Title IV, HEA programs following its CIO. As explained below, the Department has preliminarily concluded that, based on the information and documents provided and reviewed to date, it does not see any current or known impediment to continued participation in Title IV, HEA programs following Walden's CIO ("Preliminary Assessment"). However, additional conditions will be imposed as described below.

Formal determination of Walden's continued participation in Title IV, HEA programs following its CIO is contingent on Walden's compliance with the requirements of 34 C.F.R. § 600.20(g) and (h), the Department's review and determination regarding any submissions required by those regulatory provisions, and any further documentation and information requested by the Department following the CIO, including all documents related to the Transaction. Some of the items required for further review are described below. This Preliminary Assessment is intended to provide Walden with the Department's current view regarding Walden's continued participation in Title IV, HEA programs following its CIO, but it is **not** binding on the Department.

## **I. CHANGE IN OWNERSHIP**

The Department regulations identify certain covered transactions for an institution that constitute a CIO which require the institution to apply for and obtain the Department's determination that the institution may continue the institution's participation in Title IV, HEA programs. These include instances where an institution is sold; is merged with one or more eligible institutions; experiences a CIO of the controlling stock; has a transfer of assets that comprise a substantial portion of the educational business of the institution; or has a change in status as a for-profit, nonprofit, or public institution. 34 C.F.R. § 600.31(d). To establish eligibility and to continue participation in Title IV, HEA programs, an institution must demonstrate to the Department that, after the change, the institution qualifies to be certified to participate under 34 C.F.R. Part 668, Subpart B pursuant to 34 C.F.R. § 600.31(a)(3)(ii).

## **II. THE DEPARTMENT'S PRELIMINARY ASSESSMENT**

Based on the facts as described above, the Department has not identified any known or present impediment to Walden's continued participation in Title IV, HEA programs following its CIO. The Department's Preliminary Assessment with regard to Walden's continued participation in Title IV, HEA programs following its CIO are contingent on the Conditions set forth below in Section IV, which will be incorporated into the Temporary Provisional Program Participation Agreement ("TPPPA") and, if Walden continues to participate in Title IV, HEA programs following the CIO, the Provisional Program Participation Agreement ("PPPA").

## **III. UNINTERRUPTED PARTICIPATION IN THE TITLE IV PROGRAMS PRIOR TO EXECUTION OF THE PROVISIONAL PROGRAM PARTICIPATION AGREEMENT**

When a CIO occurs, the Department may continue an institution's participation on a provisional basis if the institution submits a "materially complete application" that is received by the Department no later than 10 business days after the date the change occurred. 34 C.F.R. §600.20(g)(2)(i)-(iv). If a materially complete application is submitted, the Department may consider offering the institution a TPPPA. In accordance with 34 C.F.R. § 600.20(h)(2)(iii), the TPPPA expires on the last day of the month following the month in which the CIO occurred. At the Department's discretion, the TPPPA may be extended on a month-to-month basis only if, prior to the expiration date, an institution submits the documents to comply with the requirements of 34 C.F.R. § 600.20(h)(3). The required documents must be submitted no later than the last day of the month following the month in which the CIO occurred or the TPPPA will expire on that date, without further notice.

*In the event an institution does not timely comply with the requirements of 34 C.F.R. § 600.20(g)(2)(no later than 10 business days after a CIO has occurred) and 34 C.F.R. §*

600.20(h)(3)(the last day of the month of the month following the CIO), the institution will be no longer be eligible to participate in Title IV programs in accordance with 34 C.F.R. § 600.31(a) and 34 C.F.R. § 668.14(g)(1).<sup>1</sup>

If the institution’s continued participation is approved after review of the institution’s submitted application, the Department and the institution will enter into a PPPA, under terms or conditions as determined by the Department.<sup>2</sup>

The charts below provide information on the documentation that should be submitted to the Department after the Transaction closes. Accordingly, the references in these charts to “new owner” and “former owner” are directed to any natural persons or entities within the former and new ownership chains with at least a 25% interest in any member/shareholder/partner of any owner. Without limiting the foregoing, the references to “new owner” include WU, LLC (Level 1), WUE, LLC (Level 2), and Adtalem (Level 3,) and the references to “former owner” include WU, LLC (Level 1), WUE, LLC (Level 2), Laureate (Level 3), and Wengen (Level 4).

#### A. Requirements within 10 days following the Change of Ownership

	<b>Requirements</b>	<b>Status</b>
01.	Complete electronic Application for Approval to Participate in the Federal Student Aid programs (“E-App”).	The E-App was originally submitted on May 31, 2019, but the CIO transaction was updated on October 9, 2020.  Please request the E-App be opened once the CIO closes, to update the actual closing date.
02.	In accordance with 34 C.F.R. § 600.20(g)(2)(i), a copy of the institution’s state license or equivalent documentation that: <ul style="list-style-type: none"> <li>a) was in effect on the day before the CIO; and</li> <li>b) authorized or will authorize the institution to provide a program of postsecondary education in the state in which it is physically located.</li> </ul>	<i>In addition to the state documentation that was previously submitted, the institution must submit the state licensing documentation required by 34 C.F.R. § 600.20(g)(2)(i) as part of its materially complete application to demonstrate that – as of the</i>

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<sup>1</sup> The deadlines set forth in 34 C.F.R. § 600.20(g) and (h) are subject to waivers as a result of the Federally-declared national emergency related to COVID-19. See Federal Register Volume 85 Number 239, at 79859 (<https://fsapartners.ed.gov/sites/default/files/attachments/2020-12/FR121120.pdf>).

<sup>2</sup> Following a CIO, the Department may impose conditions to ameliorate financial, operational, and administrative capability risks. The Department needs to review the documents requested by this letter to determine what additional conditions, if any, will be included in the PPPA.

	Requirements	Status
		<p><i>day before the CIO – the institution was authorized or will be authorized to provide a program of postsecondary education in the State in which it is physically located.</i></p>
03.	<p>In accordance with 34 C.F.R. § 600.20(g)(2)(ii), a copy of the accrediting agency approval that:</p> <ul style="list-style-type: none"> <li>a) was in effect on the day before the CIO and granted or will grant the institution’s accreditation status; and</li> <li>b) includes approval of the non-degree programs it offers.</li> </ul>	<p>Walden provided a copy of the Statement of Accreditation Status from the Higher Learning Commission as of October 6, 2020. The next reaffirmation of accreditation: 2022-2023.</p> <p><i>Reminder: In addition to the accreditor documentation referred to above that has already been submitted, the institution must submit a copy of the documentation required by 34 C.F.R. § 600.20(g)(2)(ii) as part of its materially complete application to demonstrate that – <b>as of the day before the CIO</b> – the institution was granted or will be granted accreditation status, including approval of any non-degree programs it offers.</i></p>
04.	<p>In accordance with 34 C.F.R. § 600.20(g)(2)(iii), audited financial statements of the <b>institution’s</b> two most recently completed fiscal years that are prepared and audited in accordance with the requirements of 34 C.F.R. § 668.23(d), including audited financial statements prepared on an accrual basis in accordance with generally accepted accounting principles (“GAAP”) and audited by an independent auditor in accordance with generally accepted government auditing standards (“GAGAS”).</p> <p>If the CIO will be consummated via a transfer or creation of a membership interest or a transfer of stock, the institution’s</p>	<p>Walden has submitted audited financial statements at the level of WUE, LLC for fiscal year ended (“FYE”) 12/31/2019 and 12/31/2020.</p> <p><i>See Section VI – Next Steps for further instructions.</i></p>

	<b>Requirements</b>	<b>Status</b>
	<p>financials should be submitted at the highest level of 100% ownership under the former owner that will remain following the CIO. If the CIO is a sale of the institution’s assets alone, and if separate institution financials are not available, financials for the former Level 1 owner may be submitted.</p> <p><b>NOTE:</b></p> <ul style="list-style-type: none"> <li>• Regardless of the timing of the closing of the Transaction, the <b>institution</b> must submit its financial statements for the most recently completed fiscal year end to meet the requirements of a materially complete application even if the financial statements are not yet required to be submitted in accordance with 34 C.F.R. § 668.23(a)(4).</li> </ul>	
05.	<p>In accordance with 34 C.F.R. § 600.20(g)(2)(iv), a <b>new owner</b> is required to submit audited financial statements of its two most recently completed fiscal years that are prepared and audited in accordance with the requirements 34 C.F.R. § 668.23(d), including statements in accordance with GAAP and audited in accordance with GAGAS.</p> <p>Except when otherwise determined by the Department to assess financial risk, the Department generally requires the submission of the financial statements for the entity at the highest unfractured level of new ownership.</p> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>• Regardless of the timing of the closing of the Transaction, the <b>new owner</b> must submit its audited financial statements for the most recently completed fiscal year end to meet the requirements of a materially complete application. (See COVID-19 note in the status bar to the right).</li> </ul>	<p>Adtalem has submitted an audited financial statements for FYE 6/30/2019 and 6/30/2020.</p> <p><i>The Department will determine if other financial statements will need to be submitted after it reviews the documents submitted in response to this letter.</i></p> <p><b><u>REMINDER: If the transaction closes after FYE 6/30/2021, audited financial statements for that year must be submitted to meet the requirements of a materially complete application pursuant to 34 C.F.R. § 600.20(g)(2)(iv).</u></b></p> <p><i>See Section VI – Next Steps for further instructions.</i></p>

	Requirements	Status
	The COVID-19 extension does not waive the New Owner LOC requirement if two years of audited financial statements for prior years are not submitted at the time required for submission of a materially complete application.	

In the event an institution does not timely comply with the requirements of 34 C.F. R. § 600.20(g)(2)(i) (no later than 10 business days after a CIO has occurred - subject to the Covid-19 extension<sup>3</sup>), the institution will be subject to a loss of eligibility pursuant to 34 C.F.R. § 600.31(a) and 34 C.F.R. § 668.14(g)(1).

### B. Continuation of the TPPPA

In accordance with 34 C.F.R. § 600.20(h)(2)(iii), the TPPPA expires on the last day of the month following the month in which the CIO occurred. At the Department’s discretion, the TPPPA may be extended on a month-to-month basis only if, prior to the expiration date, an institution submits the documents contained in the following chart. In the event an institution does not timely comply with the requirements of 34 C.F. R. § 600.20(h)(3) (required documents must be submitted no later than the last day of the month following the month in which the CIO occurred, subject to the requirements for the Covid-19 extension<sup>4</sup>), the TPPPA will expire on that date, without further notice.

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<sup>3</sup> Institutions that do not have audited financial statements for the institution’s and its new owner’s most recently completed fiscal years (as of the date of the closing of the CIO) and that want to take advantage of the extension to comply with the requirements of 34 C.F.R. § 600.20(g)(2) provided by waivers described in the Federal Register Notice cited in [footnote 1](#) must provide the Department with unaudited financial statements and a copy of the engagement letter for preparation of audited financial statements for the institution’s and its new owner’s most recently completed fiscal years by the deadline set forth in 34 C.F.R. § 600.20(g)(1). The audited financial statements must be submitted to the Department no later than 30 days following the date of the auditor’s report, or six months following the closing of the change in ownership transaction, whichever is sooner. Any institution that elects to take advantage of the extension shall continue under the TPPPA until all required materials are received (no later than the deadline set forth in the Federal Register notice) and reviewed by the Department.

<sup>4</sup> Institutions that want to take advantage of the extension to comply with the requirements of 34 C.F.R. § 600.20(h)(3) provided by the waivers described in the Federal Register Notice cited in [footnote 1](#) must provide the Department with a copy of the engagement letter for preparation of the audited same day balance sheet (“SDBS”) and an unaudited SDBS by the deadline set forth in 34 C.F.R. § 600.20(h)(3) (the last day of the month of the month following the CIO). By that same deadline, an institution should also submit confirmation from its state authorization and accrediting agencies that the applications for approval of the CIO have been submitted and accepted for future action. The audited SDBS must be submitted to the Department no later than 30 days following the date of the auditor’s report, or six months following the closing of the change in ownership transaction, whichever is sooner. Any institution that elects to take advantage of the extension shall continue under the TPPPA until all required materials are

	<b>Requirements</b>	<b>Status</b>
06.	A same day balance sheet/statement of financial position (“SDBS”) showing the financial position of the institution, as of the date of the ownership change, that is prepared in accordance with GAAP and audited in accordance with GAGAS. <sup>5</sup>	<i>Please submit the SDBS at Adtalem (Level 3) as of the transaction closing date via the eZ-Audit system.</i>  <i>See Section VI – Next Steps for further instructions.</i>
07.	Approval of the CIO from the state in which the institution is located by the state agency that authorizes the institution to legally provide postsecondary education in that state.	<i>Please submit the state agency approval of the CIO.</i>
08.	Approval of the CIO from the institution’s accrediting agency.	<i>Please submit the accrediting agency approval of the CIO.</i>
09.	In accordance with the requirement under 34 C.F.R. § 668.14(b)(15), the institution must submit a copy of its Default Management Plan, or confirmation that the institutions will use the default management plan recommended by the Secretary of Education.	Walden confirmed via the E-App that it will use the default management plan recommended by the Secretary of Education.

### **C. Additional Documents and Information Required for Department’s Review**

In addition to the foregoing documents, Walden must also submit the following documents and information (or requested confirmations) for the Department to complete its review of Walden’s continued participation in Title IV, HEA programs following its CIO and request for recognition

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received (no later than the deadline set forth in the Federal Register notice) and reviewed by the Department.

<sup>5</sup> The deadlines set forth in 34 C.F.R. § 600.20(h)(3) for the continuation of the TPPPA are subject to the guidance that can be found at <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2020-05-15/updated-guidance-interruptions-study-related-coronavirus-covid-19-updated-june-16-2020>; <https://fsapartners.ed.gov/knowledge-center/library/federal-registers/2020-12-11/waivers-and-modifications-statutory-and-regulatory-provisions-under-heroes-act>. Institutions that want to take advantage of the extension provided by the electronic announcement must provide the Department with a copy of the engagement letter for preparation of the audited SDBS and an unaudited SDBS by the deadline set forth in 34 C.F.R. § 600.20(h)(3). By that same deadline, an institution should also submit confirmation from its state authorization and accrediting agencies that the applications for approval of the CIO have been submitted and accepted for future action. Any institution that elects to take advantage of the extension shall continue under the TPPPA until all required materials are received and reviewed by the Department.



of proprietary status. The requested documents and confirmations must be submitted no later than the period described in 34 C.F.R. § 600.20(h)(2)(iii):

	<b>Requirements</b>	<b>Status</b>
10.	<p>A. A copy of the final agreement (executed version) by which the CIO was consummated, including all schedules, appendices and exhibits, and any related documents or agreements; and</p> <p>B. A copy of the closing index for the Transaction.</p>	<p>A. <i>Please submit final signed Membership Interest Purchase Agreement (MIPA). On February 11, 2021, Walden submitted the unsigned executed version, dated September 11, 2020.</i></p> <p>B. <i>Please submit.</i></p>
11.	<p>An ownership/interest holding structure chart showing the ownership structure both before and after the Transaction, including any interim steps. Include both entity owners/interest holders and natural persons. Each entity in the ownership/interest holding structure should be identified by its legal name, type of entity, with the state of organization or incorporation and the date of organization or incorporation for each. As a part of, and at the bottom of each structure, please identify the OPE ID number of any institution involved in the Transaction; the highest level owner/interest holder should be shown at the top of the structure, with the Level 1 owner/interest holder at the bottom of the structure just above the name and OPE ID of the institution. Indicate the percentage of interest for each higher level person or entity to its lower level entity on the line connecting the higher level person or entity to its lower level entity (or the institution).</p> <ul style="list-style-type: none"> <li>• For any statutory mergers or changes of status (e.g., profit to nonprofit, corporation to limited liability company), please identify those steps in separate charts, with the state law authority for each step, noting the date for each change that occurred.</li> <li>• If an entity in the structure changed names, include the date of the name change and include the new name in subsequent charts.</li> <li>• For any limited partnership, identify the limited partners and the general partners.</li> </ul>	<p>On February 11, 2021, Walden provided the pre- and post-transaction ownership charts.</p> <p><i>Please provide any updates to the document if applicable.</i></p>

	<ul style="list-style-type: none"> <li>• Identify the members/shareholders/partners of any entity with at least a 25% voting or economic interest in any entity.</li> <li>• Identify all natural persons (together with his or her family members) with at least a 25% voting or economic interest in any member/shareholder/partner of any entity.</li> <li>• Identify voting interests and economic interests.</li> <li>• Include any other participating institution which is owned directly or indirectly by any person or entity even if the ownership interest is less than 25% in the institution or in the other participating institution.</li> </ul> <p><b>Note:</b> for nonprofit entities, please indicate nonprofit status along with entity information.</p>	
12.	<p>A campus structure chart before and after the Transaction if the new owner has plans to reorganize the campus structure or close any main locations or additional locations in the first year after the Transaction. Please include the campus structure chart even if restructuring or closure plans are tentative or if the details are not finalized. If there are no current plans under discussion to reorganize campus alignments or to close any main locations or additional locations within one year of the Transaction, please confirm in the narrative response to this letter.</p>	<p>On February 11, 2021, Walden confirmed that it does not have a traditional brick-and-mortar campus structure and there are no plans to reorganize at this time.</p>
13.	<p>If the institution has plans to change programs in the first 24 months following the transaction, please provide a detailed list of all such plans by campus, including plans to modify, add, or eliminate programs.</p>	<p><i>Please submit.</i></p> <p><i>If there are no current plans to make program changes within 24 months of the transaction, please confirm.</i></p>
14.	<p>A copy of any agreement(s) (proposed or draft and/or final) between the institution and/or the new owner and any of the following:</p> <ul style="list-style-type: none"> <li>• the former owner (or any related entity);</li> <li>• any entity that is owned by (or affiliated) with any owners, employees, officers and/or board members/trustees of the former owner;</li> <li>• any entity that is owned by (or affiliated) with any owners, employees, officers, or board</li> </ul>	<p>On February 11, 2021, Walden provided the draft Transition Support Services Agreement (“TSSA”). The TSSA is expected to be executed in connection with the transaction.</p>

	<p>members/trustees of any of the new owner or the former owner; or</p> <ul style="list-style-type: none"> <li>family members (<i>See</i> 34 C.F.R. § 600.21(f)) of any employees, officers and/or board members/trustees of the former owner, the new owner, or of any of the institutions and identify the relationships.</li> </ul> <p>Agreements include, but are not limited to: consulting, employment, leasing, marketing, and management services agreements.</p>	<p>Additionally, on February 11, 2021, Walden provided three responsive agreements between the institution and each of Universidad Andrés Bello, Torrens University Australia and Laureate Education, Inc.</p>
15.	<p>If any related-party contracts (as defined above in Item 14) with the institution currently exist, please provide a financial statement for the corresponding contracting party.</p>	<p><i>Please submit or state not applicable.</i></p>
16.	<p>If any related-party contracts (as defined above in Item 14) have a current receivable and/or liability due to or from another Item 14 party, please provide a financial statement which identifies the receivable and/or liability.</p>	<p>As Walden noted in its February 11, 2021 letter to the Department, financial statements for Laureate Education have already been provided to the Department via eZ-Audit.</p>
17.	<p>A. All agreements and documents relating to acquisition and operational financing, including, but not limited to, anticipated lines of credit for the first two fiscal years of operations under the new ownership;</p> <p>B. A list of all lenders identified in the documents responsive to 17.A, along with their respective interest percentages of the financing;</p> <p>C. For any non-bank lender with at least a 10% stake, identify the members/shareholders/partners (identify as general or limited), including the identity of all natural persons (together with his or her family members (<i>See</i> 34 C.F.R. § 600.21(f)) with at least a 25% ownership interest in any member/shareholder/partner within the ownership chain of the lender; and</p> <p>D. Confirm that no employees, officers and/or board members/trustees of the former owner, the new owner, the institution, or their family members (<i>See</i> 34 C.F.R. § 600.21(f)) have any relationship with</p>	<p><i>A. Please submit or state not applicable.</i></p> <p><i>Please provide responses to Items B-D as applicable.</i></p>

	any of the lenders (including those with less than a 10% interest). Otherwise, identify the relationships.	
18.	A list of post-transaction board members for the institution, for the new owner, and for any other entities in the structure.	<p>On February 11, 2021, Walden provided a list of post-transaction board members but noted that membership will be finalized as closing approaches.</p> <p><i>Please submit an updated list, if applicable.</i></p>
19.	A list of all known open investigations for the institution or any institution directly or indirectly owned by new owner; (including but not limited to local, state, federal, foreign, and accrediting agency), identifying the agency or agencies involved, and the purpose of the investigation.	<p>On February 11, 2021, Walden provided a list of all known open investigations.</p> <p><i>Please submit an updated list, if applicable.</i></p>
20.	A list of all investigations for the institution or any institution directly or indirectly owned by the new owner; that were closed within the most recent 5-year period, including the purpose of the investigation, the disposition of the investigation, including a copy of any settlement agreement or other documentation closing the investigation.	<p>Walden provided the requested information to the Department on February 11, 2021.</p> <p><i>Please submit any updates, if applicable.</i></p>
21.	A copy of the preliminary and final report of all site reviews conducted by the institution's licensing authority within the most recent 5-year period. Include any reports for reviews closed within the most recent 5-year period. In addition, indicate any planned site reviews scheduled for the future.	<p>Walden addressed this in their February 11, 2021 letter to the Department.</p> <p><i>Please submit any updates, if applicable.</i></p>
22.	Copies of any adverse action notices issued by the institution's accreditation agency within the past 12 months.	<p>In its February 11, 2021 response to the Department, Walden stated that it has not received any such adverse actions.</p> <p><i>Please submit any updates, if applicable.</i></p>

23.	Copies of any adverse action notices issued within the past 12 months by the accreditation agency of any institution directly or indirectly owned by the new owner.	<i>Please submit or state not applicable.</i>
24.	An organization chart listing all executive employees of the institution by job title. Please also include the name of each involved in the administration of Title IV, HEA programs and the employee's job title.	<i>On February 11, 2021, Walden provided the Department with a chart of executive employees of the institution as well as financial aid personnel. Please provide any updates, if applicable.</i>
25.	The institution must change its year-end to match the new owner's year-end, if applicable. In addition, the institution must submit a compliance audit for any unaudited period up through the date of closing.	After the consummation of the CIO, Walden must submit a change in fiscal year-end to match Adtalem's FYE of 6/30.  <i>Please submit the change via the eZ-Audit system.</i>
26.	If the new owner owns more than one institution, a school group will be set up that includes all the OPE IDs for the new owner.	The Department will contact the institution after the school group is set up.
27.	<p>If the institution has been determined not to be financially responsible solely because:</p> <ul style="list-style-type: none"> <li>• The institution's composite score is in the range of 1.0 to 1.4 and that institution participates under the zone alternative set forth in 34 C.F.R. § 668.175(d); or</li> <li>• The institution participates under the provisional certification alternative set forth in 34 C.F.R. § 668.175(f) for the reasons set forth in 34 C.F.R. § 668.175(f)(1)(i) (including for a composite score under 1.0); or</li> <li>• The institution has been cited for past performance as set forth in 34 C.F.R. § 668.175(f)(1)(ii).</li> </ul> <p>The Department may require the institution to submit its most recently completed fiscal year-end financial statements and compliance audit early. 34 C.F.R. § 668.175(d)(2)(iii).</p> <p>If the Department requires such early submission, the financial statements and compliance audit must be</p>	<p>Walden's composite score for FYE 12/31/2019 is 0.7, scored at Level 3 Laureate.</p> <p>Walden has submitted its audited financial statements for FYE 12/31/2020. The financial statements are currently under review; when the review is completed, the Department will provide further direction if the institution is required to submit its financial statement and compliance audit early.</p>

	submitted within 60 days of the date of this letter, or within the time specified under 34 C.F.R. § 668.23(a)(4), whichever date is earlier.	
28.	Future annual financial statements submissions should be submitted at the highest level of 100% ownership.	Please submit at the Adtalem level (Level 3).

The Department may also request additional documents as necessary to complete its full review.

**Please provide a cover letter responding to all of the above categories to indicate whether or not documents are being produced and to provide a narrative response where appropriate. Please name each document pdf separately, using the “PA” (for post-acquisition) and the numbers identified in the chart as a prefix for the document identification, in accordance with the following examples:**

- PA.02 – [Name of State] license**
- PA.03 – [Name of accrediting agency] approvals**

In the event that there are multiple responses to any category, please identify as follows:

- PA.02.a – [Name of State] license**
- PA.02.b – [Name of State] license**

For each document the descriptive name should use the fewest number of characters possible.

**NOTE:** Sometimes the Department receives Freedom of Information Act (“FOIA”) requests regarding transactions it reviews. Before a document is released under FOIA, the Department reviews it to determine if any portion of the document may be exempt under 5 U.S.C. § 552(b). The Department is required to make an independent determination of each exemption, including to determine if any of the documents are within the scope of the exemption set forth in 5 U.S.C. § 552(b)(4) (“Exemption 4”). Exemption 4 protects matters that are “trade secrets and commercial or financial information obtained from a person and privileged or confidential,” as construed under governing federal law.

When you submit the documents, please identify (*but do not redact*) any business information that you believe to be exempt from disclosure under Exemption 4. In addition, please provide a detailed written statement specifying all grounds under Exemption 4 for denying access to the information, or any portion thereof – this statement does not need to be submitted by the deadline for the documents, **but please submit it no later than 14 days after you submit your documents in response to this letter**. Please note that your designations of exempt material are not binding on the Department. A blanket designation on each page of a submission that all information contained on the page is protected from disclosure under Exemption 4 presumptively will not be considered a good faith effort. 34 C.F.R. § 5.11(c)(3).

Also, if there is personally identifiable information (“PII”) in the submission, please redact all PII contained in the documents that is not necessary for the Department’s review of the transaction. Any such redactions should read “PII Redacted.” PII is any sensitive or confidential information about an individual (some examples are social security number, date

and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. Names and signatures of all parties to the transaction and their agents, including officers, authorized representatives, or board members should not be redacted.

**PLEASE DO NOT SEND PAPER COPIES OF DOCUMENTS.** Please submit the documents via email to CIOdocuments@ed.gov. If the attachments are 20 megabytes or larger, please break the documents down into files smaller than 20 megabytes in size and send via separate emails.

A manifest must be included with each document submission that lists the types of files being sent (a copy of the manifest must be retained by the sender).

#### **IV. CONDITIONS FOLLOWING THE CIO**

When it issues a pre-acquisition determination letter, the Department identifies conditions to be included in the institution's TPPPA and PPPA in the event that the CIO is consummated. When conditions are identified, they are based on the Department's review of the materials provided to it for its pre-acquisition review and its historical knowledge of the institution and/or its new owner. Even if conditions are not identified in the pre-acquisition determination letter, conditions may be added, or identified conditions may be modified in the TPPPA and PPPA as a result of the Department's ongoing review of a transaction following the closing of the transaction. The Department imposes conditions to ameliorate financial, operational, and administrative capability risks.

##### **A. Provisional Certification due to CIO**

Due to the change in ownership, Walden will be required to participate under a PPPA. Any institution provisionally certified must apply for and receive approval by the Department for expansion or for a substantial change before it may award, disburse, or distribute Title IV, HEA funds based on the substantial change. Substantial changes generally include, but are not limited to: (a) establishment of an additional location; (b) increase in the level of academic offering beyond what is listed in the institution's Eligibility and Certification Approval Report ("ECAR"); or (c) addition of any educational program.

In addition to the standard PPPA requirements set forth in the preceding paragraph, Walden will be subject to additional conditions as set forth below. To the extent that there is any difference between the standard PPPA requirements and the conditions set forth in this letter, the conditions set forth in this letter will apply.

##### **B. Provisional Certification/LOC Alternative**

As noted above, Walden's composite score for FYE 12/31/2019 was 0.7. Therefore, Walden is not financially responsible in accordance with 34 C.F.R. § 668.171(b)(1) and must participate under the alternative standards described at 34 C.F.R. § 668.175(c) or (f). Participation under the alternative standards set forth in these subsections requires the submission of an irrevocable LOC ("Financial Responsibility LOC"). The Department informed Walden of this requirement and

the various options in a letter dated September 11, 2020. On September 24, 2020, Walden elected the Provisional/Letter of Credit option described in 34 C.F.R. § 668.175(f). By choosing this option, Walden acknowledges that it has not met the Department's standards of financial responsibility.

On November 17, 2020, the Department received Walden's LOC #S32158F in the amount of \$83,575,685 with an expiration date of January 31, 2022. The Financial Responsibility LOC must remain in place until the Department receives audited financial statements at the Adtalem level which cover a full fiscal year under the new ownership. At such time, the Department will reevaluate Walden's compliance with the financial responsibility requirements. Unless relieved of its obligation by the Department, Walden must renew the Financial Responsibility LOC each year, no later than the 10th business day prior to its expiration in such amount as directed by the Secretary.

In addition to the submission of the Financial Responsibility LOC, Walden must comply with all of the requirements specified for the Provisional Certification Alternative in 34 C.F.R. § 668.175(f) (and as described in the Department's September 11, 2020 letter), including complying with the requirements of the zone alternative as provided in 34 C.F.R. § 668.175(d)(2)(requesting funds in accordance with 668.162(d)) and (3) (required oversight and financial reporting).

### **C. Additional Conditions**

1. **Financial and Enrollment Reporting** – Walden must continue to submit the following reports on a monthly or bi-weekly basis as described below:
  - a. Bi-weekly cash balance submission that outlines Walden's available cash on hand. Please provide details of what is included in the cash balance.
  - b. Monthly report with the following information contained in a single report (Items b.i., b.ii., and b.iii. should be submitted at the level of Adtalem):
    - i. Actual and projected cash flow statement that breaks-out each anticipated inflow and outflow by line item and amount as indicated on the sample cash flow statement, with business and financial disclosure notes (sample included)
    - ii. Any important financial transaction that has a material effect on Adtalem's financial condition;
    - iii. Any mergers, acquisitions, business expansions, and/or corporate restructuring;
    - iv. Any announced or upcoming location expansions and/or closures;
    - v. Any new programs that Walden plans to offer within the next 90 days at one or more locations that participate in the federal student aid programs;
    - vi. Any decision to cease enrollment in any program(s) and provide the teach out plan/teach out agreement and the schedule for teach out of the program(s)



- vii. Explanation of variances as indicated on the enclosed “Cash Receipt & Disbursements Instructions;” and
  - viii. Updated status on US ex rel. Sawyer v. Walden Univ., Civil No. 20-00519 (D. Minn.).
- c. Monthly Student Roster submission for Walden in Microsoft Excel (sample format with required information and instructions is enclosed). Documents containing Personally Identifiable Information (PII) being submitted to the Department via electronic delivery must be password protected. PII is any information about a student, which can be used to distinguish or trace the student's identity.

Walden will be subject to these reporting requirements until the Department notifies Walden that it no longer has to submit the reports. After Walden’s submission and acceptance of a compliance audit and audited financial statements for one full fiscal year under their new ownership, the Department will review each subsequent year’s compliance audits and audited financial statements to determine whether Walden can be relieved from the reporting requirements. For submissions following the date of this letter, Item a is due to the Department on alternating Mondays, and the monthly submissions (Items b and c above) are due to the Department by the 10<sup>th</sup> of each month. Please submit these reports via email to [CIOdocuments@ed.gov](mailto:CIOdocuments@ed.gov) with a copy to [James.Johnson@ed.gov](mailto:James.Johnson@ed.gov).

## 2. Growth Restrictions

As described above, Walden is subject to a Financial Responsibility LOC condition and related provisional certification. Following the CIO and during the period in which Walden participates under provisional certification (either as a result of the CIO or because of the continuation of the Financial Responsibility LOC), Walden is not allowed make any of the following changes:

- add new programs that are not already approved by the Department and included in Walden’s ECAR as of the date of the CIO;
- add new locations that are not already approved by the Department and included in Walden’s ECAR as of the date of the CIO;
- increase the credential level of its offerings; and
- change the length of any programs (either to shorten or lengthen them).

Following the Department’s review and acceptance of Walden’s financial statements and compliance audits that cover one complete fiscal year of Walden’s uninterrupted Title IV participation under Adtalem’s ownership, Walden may seek the Department’s approval for new programs that are initiated only as replacements for currently-established programs for which Walden ceases new student enrollments and commences a programmatic teach-out (“Program Replacements”). Following the Department’s review and acceptance of Walden’s financial statements and compliance audits that cover the second complete fiscal year of Walden’s uninterrupted Title IV participation under Adtalem’s ownership, and for the remainder of the period Walden participates under a PPPA or during the period of the Financial Responsibility LOC (whichever period is longer), Walden may seek the Department’s approval for new programs that are not Program Replacements, and may also seek the Department’s approval to

add new locations, increase the credential levels of its offerings, and change the length of programs.

#### **V. NEW OWNER LETTER OF CREDIT (“NEW OWNER LOC”) – NOT REQUIRED TO MEET REQUIREMENTS OF A MATERIALLY COMPLETE APPLICATION**

Because Adtalem has two fiscal years of audited financial statements, this satisfies the requirements of 34 C.F.R. § 600.20(g)(2)(iv), and therefore Adtalem will not be required to post a New Owner LOC as a condition of submitting a materially complete application.

#### **VI. NEXT STEPS**

***Notice to the Department and Materially Complete Application.*** Once the CIO takes place, Walden must notify the Department by email to CIOdocuments@ed.gov (cc: Byron.Scott@ed.gov) within 10 business days and complete all requirements to submit a materially complete application.

#### ***Special instructions regarding the submission of Items 4-6.***

Within 10 business days following the closing of the Transaction submit Items 4 and 5 to CIOdocuments@ed.gov (cc: James.Johnson@ed.gov):

- Item 4 (2 years of institution audited financial statements – 34 C.F.R. § 600.20(g)(2)(iii))
- Item 5 (2 years of new owner audited financial statements – 34 C.F.R. § 600.20(g)(2)(iv))

***Covid-19 extension for audited financial statements.*** If audited financial statements for the most recently completed fiscal year cannot be submitted to the Department within 10 business days of the date the Transaction closes, submit unaudited financial statements with an auditor’s engagement letter to CIOdocuments@ed.gov (cc: James.Johnson@ed.gov).

By the last day of the month following the month the Transaction closes, submit Item 6 as follows:

- Item 6 (audited SDBS - 34 C.F.R. § 600.20(h)(3)(i)). Submit the audited SDBS through eZ-audit<sup>6</sup> with a copy to CIOdocuments@ed.gov (cc: James.Johnson@ed.gov).

***Covid-19 extension for audited SDBS.*** If the audited SDBS cannot be submitted to eZ-audit by the last day of the month following the month the Transaction closes, submit the unaudited

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<sup>6</sup> At the time Walden submits its audited SDBS via eZ-audit, it should also submit the institution and new owner audited financial statements for the two most recently completed fiscal years (Items 4 and 5) via eZ-audit.

SDBS with an auditor's engagement letter to CIOdocuments@ed.gov (cc: James.Johnson@ed.gov).

Please note: The fact that an institution undergoes a change of ownership does not insulate the institution from liabilities that resulted from conduct under the prior ownership, including liabilities resulting from misconduct by prior owners or employees.

If you have any questions regarding the requirements set forth in this letter, please contact Byron Scott, Case Manager at Byron.Scott@ed.gov. If you have any questions regarding the financial statements and the fiscal year end, please contact Rhonda Puffer, Accountant at Rhonda.Puffer@ed.gov.

Sincerely,



Michael J. Frola  
Director  
Multi-Regional and Foreign School's Participation Division

cc: Ms. Teresa Lucas Drzewiecki, Executive Director, Financial Aid,  
Teresa.Drzewiecki@mail.waldenu.edu  
Ms. Staci Rhodes Shelley, VP, Assistant General Counsel,  
staci.shelley@mail.waldenu.edu