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August 21, 2020

Mr. Andrew Clark
President and Chief Executive Officer
Zovio
1811 East Northrop Boulevard
Chandler, AZ 85286

Dear Mr. Clark:

I am writing regarding the Department of Education's (Department) recent decision to drop its requirement that Ashford University post a \$103 million letter of credit as a condition for continued receipt of federal student aid.¹ As part of the proposed conversion, Zovio had previously announced that it had entered into a nonbinding agreement of intent to sell Ashford University to a nonprofit entity named the Ashford University non-profit entity.² The Department had previously stated that because the Ashford University non-profit entity was a new entity and lacked 2 years of audited financial results, that within ten days of the change in ownership Ashford University would have to post a letter of credit equal to the value of twenty five percent of the Title IV funding received in fiscal year 2018.³ This requirement was dropped by the Department in July⁴, and Zovio announced that it would instead sell Ashford University to the University of Arizona.⁵

¹ Hallie Busta, *Ed Dept Drops \$103M letter of credit for Ashford U Spinoff*, Education Dive (July 8, 2020), <https://www.educationdive.com/news/ed-dept-drops-103m-letter-of-credit-for-ashford-u-spinoff/581264/>. See also Zovio Inc., Current Report (Form 8-K),

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1305323/000130532320000043/zvo-20200707.htm>.

² Lindsay McKenzie, *Ashford University to Split From Parent Company*, Inside Higher Ed (January 7, 2020), <https://www.insidehighered.com/quicktakes/2020/01/07/ashford-university-split-parent-company>.

³ Press Release, Zovio, *Zovio Outlines Response from the U.S. Department of Education Regarding Proposed Change in Ownership of Ashford University* (October 7, 2020), <https://sec.report/Document/0001305323-19-000087/#ex991pressreleasedeptofedo.htm>; See also Zovio Inc Earnings Call Q3 2019.

⁴ Hallie Busta, *Ed Dept Drops \$103M letter of credit for Ashford U Spinoff*, Education Dive (July 8, 2020), <https://www.educationdive.com/news/ed-dept-drops-103m-letter-of-credit-for-ashford-u-spinoff/581264/>. See also Zovio Inc., Current Report (Form 8-K),

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1305323/000130532320000043/zvo-20200707.htm>.

⁵ Lindsay McKenzie, *University of Arizona's Big Online Push*, Inside Higher Ed (August 4, 2020), <https://www.insidehighered.com/news/2020/08/04/university-arizona-acquires-ashford-university>.

Additionally, according to statements filed with the Securities and Exchange Commissions (SEC), Zovio expects a failing financial composite score of 0.7 for the fiscal year that ended December 31, 2019.⁶ Under Department regulations, institutions with a score of less than 1.0 are considered not financially responsible.⁷ Institutions that are designated not financially responsible can participate in Title IV under provisional certification, subject to heightened cash monitoring, and after posting a letter of credit equal to at least 10 percent of the Title IV funding received in the most recent fiscal year.⁸

In order to assist the Committee's ongoing oversight of this matter, I am requesting that Zovio produce the following by September 4th, 2020:

1. FY 2019 audited financials for both Zovio and Ashford University.
2. All communications with the Department regarding the letter of credit requirement and the proposed conversion and sale to the University of Arizona.
3. All communications with the Department regarding financial composite scores and letter of credits at either Ashford University or Zovio.
4. All communications with the Western Association of Schools and Colleges regarding the proposed conversion and sale to the University of Arizona.
5. All communications with Ashford University's not-for-profit entity regarding the conversion, including the nonbinding letter of intent announced on December 30, 2019.
6. All communications with the University of Arizona or the University of Arizona Global Campus regarding the purchase of Ashford University.
7. All communications with former Zovio executives Robert Eitel and Scott Filter since they joined the Department of Education.

If you have any questions, please contact Benjamin Sinoff at Benjamin.Sinoff@mail.house.gov or (202) 225-3725. Please direct all official correspondence to the Committee's Chief Clerk, Tylease Fitzgerald-Alli, at Tylease.Fitzgerald-Alli@mail.house.gov. Thank you for your attention to this matter and I look forward to your response.

Sincerely,



ROBERT C. "BOBBY" SCOTT
Chairman

Cc: The Honorable Virginia Foxx, Ranking Member

⁶ Zovio Inc., Annual Report (Form 10-K), <https://www.sec.gov/ix?doc=/Archives/edgar/data/1305323/000130532320000019/zvo-20191231.htm>.

⁷ *Financial Responsibility Composite Scores*, U. S. Department of Education, <https://studentaid.gov/data-center/school/composite-scores> (last visited August 7, 2020).

⁸ Id.