

Alliance For Economic Stability, Inc.
747 Third Avenue, 25th Floor
New York, New York 10017

November 2, 2010

The Honorable Arne Duncan
Secretary
U.S. Department of Education
LBJ Education Building
400 Maryland Avenue, SW
Room # 7W311
Washington, DC 20202

Dear Secretary Duncan:

The Alliance for Economic Stability (“AES”) has previously written to the Department of Education (“DOE”) concerning practices of for-profit post-secondary education providers (the “For-Profits”) that abused the intent of the law governing distribution of Title IV funds and in some instances the rules promulgated by the DOE, as well as deficiencies in the DOE’s audit and investigation practices.

The AES welcomed the the DOE’s notice of proposed rulemaking targeted at ending certain abusive practices at For-Profits and promoting greater integrity in the use of Title IV funds. However, in certain instances, the alarming growth of For-Profits has not abated.

In a press release issued today, Bridgepoint Education, Inc., which owns and operates Ashford University and the University of the Rockies, revealed that its student population has grown to the highest level ever, to more than 77,000 students, a 40% increase over the prior year’s total enrollment and nearly 300% more than the enrollment level at the start of the period covered by the audit performed by the DOE’s Office of Inspector General (“OIG”).

Since the publication of the proposed rulemaking, several For-Profits have reported dopes in enrollment growth as a consequence of the scrutiny their sales practices have garnered from the press and Congress. Bridgepoint has not followed suit.

In a conference call to discuss quarterly earnings, Bridgepoint’s management faced questions from a number of individuals concerning how Bridgepoint was able to maintain extraordinary sales performance. In response, Bridgepoint’s management refused to give factual responses. Bridgepoint acknowledged that their new “orientation program” was not material, and that no internal changes could account for the growth, which was so unusual relative to other For-Profits. Bridgepoint did not attribute the growth to any new degree programs. Finally, in response to repeated questions, Bridgepoint’s management stated that they could provide “no real specifics.”

One investment analyst at Barrington Research stated that “it is likely (given the new regulatory environment) that growth will slow industry wide but we have a high level of confidence that [Bridgepoint’s] growth rate going forward will be industry leading.”

Bridgepoint’s continued dramatic sales performance is particularly disturbing given the ongoing audit of Bridgepoint by the DOE’s OIG, which is focusing in part on Bridgepoint’s recruiting practices. It would

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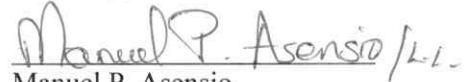
Page 2 of 2

seem that Bridgepoint does not view the OIG audit as impinging upon continued sales practices that outpace gains in student enrollment at For-Profit peers.

Please find attached a table highlighting certain trends in Bridgepoint's enrollment figures.

The AES hopes that, in view of these facts, the DOE will continue to take steps to ensure greater integrity of Bridgepoint, as well as other For-Profits.

Sincerely,

Handwritten signature of Manuel P. Asensio in cursive, with a horizontal line underneath.

Manuel P. Asensio
Director, President and
Chief Executive Officer

cc: Kathleen S. Tighe, Inspector General
Office of Inspector General

William Taggart, Chief Operating Officer
Federal Student Aid

Enclosure

Bridgepoint Education, Inc. (BPI)

Table 1
Analysis of Change in Student Population and Marketing and Promotional Cost

	2010					2009				2008				2007			
	<u>Q4 Hi</u>	<u>Q4 Lo</u>	<u>30-Sep</u>	<u>30-Jun</u>	<u>31-Mar</u>	<u>31-Dec</u>	<u>30-Sep</u>	<u>30-Jun</u> ³	<u>31-Mar</u>	<u>31-Dec</u>	<u>30-Sep</u>	<u>30-Jun</u> ⁴	<u>31-Mar</u>	<u>31-Dec</u>	<u>30-Sep</u>	<u>30-Jun</u>	<u>31-Mar</u>
Beginning of Period Student Population	77,179	77,179	67,744	65,788	53,688	54,894	45,504	42,025	31,558	30,547	22,607	19,509	12,623	12,716	8,666	6,856	4,471
Plus: New Students ¹	13,600	11,600	<u>24,000</u>	<u>18,450</u>	<u>24,300</u>	<u>10,600</u>	<u>19,500</u>	<u>14,600</u>	<u>16,800</u>	<u>7,100</u>	<u>12,600</u>	<u>8,100</u>	<u>8,800</u>	n/a	n/a	n/a	n/a
Total Number of Available Students	90,779	88,779	91,744	84,238	77,988	65,494	65,004	56,625	48,358	37,647	35,207	27,609	21,423				
Less: End of Period Student Population	73,800	71,800	<u>77,179</u>	<u>67,744</u>	<u>65,788</u>	<u>53,688</u>	<u>54,894</u>	<u>45,504</u>	<u>42,025</u>	<u>31,558</u>	<u>30,547</u>	<u>22,607</u>	<u>19,509</u>	12,623	12,716	8,666	6,856
Calculated Drops and Graduates:	16,979	16,979	<u>14,565</u>	<u>16,494</u>	<u>12,200</u>	<u>11,806</u>	<u>10,110</u>	<u>11,121</u>	<u>6,333</u>	<u>6,089</u>	<u>4,660</u>	<u>5,002</u>	<u>1,914</u>				
Drops and Graduates - % of Beginning Population	22%	22%	22%	25%	23%	22%	22%	26%	20%	20%	21%	26%	15%				
New Students as % of Beginning Student Population	18%	15%	35%	28%	45%	19%	43%	35%	53%	23%	56%	42%	70%				
Average Student Population (ASP) During Period ²	75,490	74,490	72,462	66,766	59,738	54,291	50,199	43,765	36,792	31,053	26,577	21,058	16,066	12,670	10,691	7,761	5,664
ASP Growth During Period	4%	3%	9%	12%	10%	8%	15%	19%	18%	17%	26%	31%	27%	19%	38%	37%	n/a
Net Increase (Decrease) in No. of Students	(3,379)	(5,379)	9,435	1,956	12,100	(1,206)	9,390	3,479	10,467	1,011	7,940	3,098	6,886	(93)	4,050	1,810	2,385
Analysis of Marketing and Promotional Expense:																	
Per New Students (\$)			2,290	2,715	1,819	3,821	1,872	2,719	1,732	3,732	1,675	2,272	1,716	n/a	n/a	n/a	n/a
Per Net Increase in No. of Students (\$)			5,825	25,611	3,654	n/m	3,887	11,411	2,780	26,212	2,657	5,939	2,193	n/m	2,395	4,751	2,642

(1) Disclosed in Bridge Point's quarterly earnings releases.

(2): Average Student Population defined as the arithmetic mean of disclosed total student population at beginning and end of period.

(3): BPI's IPO was completed on April 20, 2009.

(4): The U.S. Department of Education's Office of Inspector General began a compliance audit of BPI's Ashford University in May 2008, covering the period from March 10, 2005 to June 30, 2009.

Updated 11/2/10

Prepared by: Alliance for Economic Stability, Inc.