UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
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SEP 29 2003

Mr. Richard Skovgaard
Director/Center Manager
FlightSafety Academy
2805 Airport Drive
P.O. Box 2708
Vero Beach, FL 32961

Dear Mr. Skovgaard:

This **Final Audit Report** (Control Number ED-OIG/A06-C0035) presents the results of our audit of FlightSafety Academy's compliance with Student Financial Assistance citizenship and program eligibility requirements, under Title IV of the Higher Education Act of 1965, as amended (HEA). Our initial objective was to determine if FlightSafety Academy (FlightSafety) had adequate controls to ensure PLUS borrowers met the Title IV citizenship requirements. While on site at the school, we identified concerns with the eligibility of the programs offered and added a second objective, to determine if Title IV aid was disbursed to students enrolled in ineligible programs.

A draft of this Office of Inspector General report was provided to FlightSafety. FlightSafety did not agree with our finding and recommendations. We have summarized FlightSafety's comments after the Subsequent Events section in this report. A copy of FlightSafety's response is included as an Appendix to this report.

BACKGROUND

FlightSafety is a proprietary school, and its main campus is in Vero Beach, Florida. The school received initial approval to participate in the Title IV, Student Financial Assistance programs on November 25, 1968. The Accrediting Commission of Career Schools and Colleges of Technology (Accrediting Agency) accredited FlightSafety. The Florida Board of Independent Postsecondary Vocational, Trade & Business Schools (State Agency) and the Federal Aviation Administration (FAA) licensed the school. FlightSafety's current program participation agreement expired on March 31, 2003. The institution applied for recertification and is currently on a month-to-month approval, and recertification is pending.

FlightSafety offers flight-training programs that range in length from 22.5 to 533 clock hours. Its longest clock-hour program is the Multi-Engine Private and Commercial Pilot Certification program (533 clock hours). This program is for students who have no previous flight experience. FlightSafety also offers a program in which a student can obtain a Multi-Engine Commercial Pilot Certification (399 clock hours); however, the program is not in the institution's

catalog. A student must be a licensed private pilot to enroll in this program. FlightSafety offers additional shorter programs, ranging in length from 22.5 to 115 clock hours that students can choose to "add on" to one of the longer programs. These add-on programs include Single-Engine and Flight Instructor Certifications. Students are allowed to choose one program or a combination of programs, depending on the student's flight-training needs. Cost of attendance for each of these individual programs ranges from $3,567 to $47,466. None of these programs are approved or recognized by the Department as eligible.

From July 1, 1999, through June 30, 2002, FlightSafety disbursed over $5.6 million in Federal Family Education Loan (FFEL) Program loans, including $5,009,713 in PLUS loans, $284,833 in Stafford Loans (Subsidized), and $371,979 in Unsubsidized Stafford Loans (Unsubsidized). In the 2000-01 award year, FlightSafety disbursed PLUS loans to 74 students, with an average loan disbursement of $32,658.

AUDIT RESULTS

FlightSafety's controls were adequate to ensure PLUS loan borrowers met the Title IV citizenship requirements. However, the school disbursed Title IV aid to students enrolled in ineligible programs. We concluded that FlightSafety did not offer the program approved by the Department for Title IV eligibility. The Department approved the program based on inaccurate information that FlightSafety provided in its Application for Approval to Participate in the Federal Student Financial Aid Programs (Application).

Specifically, FlightSafety's February 1999 application for recertification stated that it offered one 785-clock-hour Aircraft Pilot and Navigator (Professional) program. It did not offer a 785-clock-hour program. Instead, it offered several shorter flight-training programs ranging from 22.5 to 533 clock hours. The Department relied on the inaccurate information when it signed the program participation agreement and issued the school an Eligibility and Certification Approval Report (ECAR) that listed the 785-clock-hour program as the only approved program at the school. As a result, FlightSafety disbursed over $5.6 million in award years 1999-00 through 2001-02 to students enrolled in these unapproved and ineligible flight-training programs.

Title IV Program Eligibility Requirements

Under 34 C.F.R. Part 600, Subpart B, the Department must certify a school before the school can participate in Title IV programs. The certification identifies the school's eligible locations and programs. The Department extends eligibility to qualified programs identified in a school's application. After being initially certified by the Department, schools must apply for re-certification at intervals of no greater than six years. To apply for initial participation and re-certification, a school must submit an Application to the Department. The school's Application must identify the programs offered, and the school must submit proof that the programs have been approved by the school's accrediting agency, state-licensing agency, and in the case of flight schools, the FAA. The Department relies on the information provided by the school on its Application and issues an ECAR listing the programs approved for Title IV eligibility.

Under 34 C.F.R. § 600.40(c)(1)—

> If the Secretary designates an institution or any of its educational programs or locations as eligible on the basis of inaccurate information or documentation, the Secretary's designation is void from the date the Secretary made the designation, and the institution or program or location, as applicable, never qualified as eligible.

Further, 34 C.F.R. § 668.8 (d) provides criteria for program length. Each Title IV program must be at least 300 clock hours in order to receive FFEL and William D. Ford Federal Direct Loan (Direct Loan) funds. For programs that are between 300 and 600 clock hours in length, in addition to other requirements, the institution must substantiate that the programs meet the 70 percent completion and 70 percent placement rate "by having the certified public accountant who prepares its audit report . . . report on the institution's calculation based on performing an attestation engagement . . . ." 34 C.F.R. § 668.8(e)(2). The required attestation has not been provided by FlightSafety's auditor for any of its programs.

Application Contained Inaccurate Data

FlightSafety's February 1999 Application to the Department contained inaccurate information about the programs offered by the school. The school reported in its Application that it offered a 785-clock-hour program, and the Department approved the school's and a program's eligibility based on the information in that application. However, none of the documentation we reviewed during our visit to the school mentioned the 785-clock-hour program. Licensing certifications from the school's accrediting agency, state-licensing agency, and the FAA, as well as the school's catalog, did not mention the 785-clock-hour program.[1] These agencies approved the shorter flight-training programs offered by the school. FlightSafety did not obtain approval from the Department for the numerous shorter flight-training programs, and it did not substantiate the required placement and completion rates.

Further, students did not sign an enrollment agreement for the 785-clock-hour program, but students did sign enrollment agreements for each of the shorter flight training programs. Per FAA requirements, students can only enroll in one program at a time and they must complete each program before they can sign the next enrollment agreement.

FlightSafety's Administrative Manager stated that the 785-clock-hour program is not one program, but a cluster of programs that range in length from 22.5 to 533 clock hours. Students are permitted to enroll in one or a combination of several of these programs for a maximum of 785 clock hours. FlightSafety's Administrative Manager also stated that a new student with no previous flight training generally enrolls in the 533-clock-hour program, and a student who already has a private pilot license generally enrolls in the 399-clock-hour program. Students can choose to enroll in additional add-on programs ranging in length from 22.5 to 115 clock hours.

[1] The state licensing agency issued a March 25, 2002, letter approving the 785-clock-hour program; however, the program was not added to the school's state license until October 2002 in response to a request by FlightSafety officials.

None of our 30 sample students was enrolled in the 785-clock-hour program approved by the Department for Title IV eligibility. We reviewed the student files for 30 of the 74 PLUS loan recipients for award year 2000-01, and found that most were enrolled in a combination of the shorter flight training programs that the school offered. However, none of the 30 was enrolled in a combination of courses that equaled 785 clock hours. Twenty-one of the 30 sampled students, were enrolled in one or a combination of flight-training programs that totaled between 300 and 600 clock hours, and they received as much as $67,825 in PLUS loan funds. Seven students were enrolled in courses with a combined total over 600 clock hours with the largest enrollment being 749 clock hours. The remaining two students were enrolled in courses with a combined total of less than 200 clock hours, including one student enrolled in only a 122.5-clock-hour program, an add-on program developed specially to meet his training needs. FlightSafety determined that this student was eligible to receive Title IV aid and awarded $25,972 of PLUS loans to him.

Title IV Participation Void

Because FlightSafety clustered several of its flight-training programs and inaccurately identified the cluster as one 785-clock-hour program on its Application, the Department's designation of FlightSafety's eligibility is void, under 34 C.F.R. § 600.40(c)(1), as of March 24, 1999, the date that the latest designation was made. Inaccurately reporting the 785-clock-hour program on its Application resulted in FlightSafety's being ineligible to disburse any Title IV aid.

For the purpose of our audit, we are questioning the Title IV aid disbursed for students at FlightSafety on and after March 24, 1999, the date that the latest designation was made. Based on the Department's National Student Loan Data System (NSLDS), FlightSafety received a total of $5,666,525, net of refunds, in PLUS, Subsidized, and Unsubsidized FFEL Loan funds for award years 1999-00, 2000-01, and 2001-02.

RECOMMENDATIONS

We recommend that the Chief Operating Officer for Federal Student Aid—

1. Verify that Title IV recipients are enrolled in the 785-clock-hour program and not the shorter, ineligible flight programs offered by FlightSafety prior to recertifying the school's application.

2. Require FlightSafety to repay to the lenders PLUS loan funds of $5,009,713 and Subsidized and Unsubsidized FFEL loan funds of $656,812 for award years 1999-00, 2000-01, and 2001-02, plus applicable interest.

3. Calculate and assess a liability for all Title IV funds disbursed for students at FlightSafety from March 24, 1999, through June 30, 1999, and after June 30, 2002, plus applicable interest.

SUBSEQUENT EVENTS

After we concluded our audit work at FlightSafety in September 2002, FlightSafety requested approval for the 785-clock-hour program in an October 2, 2002, letter to the accrediting agency stating that the school was restructuring its programs. The Institutional Development Manager at the accrediting agency told us that she did not perform a site visit to the school prior to approving the program on October 15, 2002. Her decision was based solely on the additional documentation provided by the school. We determined that the 785-clock-hour program did not exist at the time of our audit, and the accrediting agency's subsequent approval of the program does not change our audit finding or recommendations.

FLIGHTSAFETY'S COMMENTS

FlightSafety did not concur with our finding and recommendations. A copy of the letter from FlightSafety is included as an Appendix to this report.

FlightSafety stated that it reported to the Department the 785-clock-hour program and itemized the five courses that make up the program on eight applications submitted from 1966 to 2001, the Department approved each of the applications, and the Department performed seven compliance audits during this same timeframe. Flight Safety also stated that it submitted a re-certification application in 2002 and received a site visit from the Department that same year that was completed satisfactorily.

FlightSafety stated, "we respectfully object to the allegation that FlightSafety Application contains inaccurate data." It also stated that our audit's statement "is based upon a review of each course separately and not the Program in the aggregate." FlightSafety stated, "In order to comply with FAA and ACCSCT [Accrediting Commission of Career Schools and Colleges of Technology] requirements, FlightSafety has itemized each portion of the Program, which should not lead to the result of having each course viewed as an independent program, particularly since no student could secure employment having completed only one of the five courses."

However, FlightSafety acknowledged in its response that our audit "correctly notes that FlightSafety's catalog does not describe one program that consists of 785 hours." FlightSafety included with its response a revised enrollment agreement that would require students to enroll in all five courses contained within the 785-clock-hour program.

OIG'S RESPONSE

We have not changed our finding or recommendations. Though FlightSafety's response cites its previous applications, program reviews, and compliance with FAA and accrediting agency requirements, the information it provides does not contradict our finding that FlightSafety's 785-

clock-hour flight training program was not an eligible, approved program under the requirements for participation in Title IV programs.

FlightSafety's revised enrollment agreement may help to ensure that its flight-training program is an eligible program, if implemented. However, this revision appears to confirm our finding, by indicating that students did not agree to enroll in the entire program on prior enrollment agreements. FlightSafety's response also confirms our finding by verifying that the 785-clock-hour program was not listed in its catalog.

In addition, FlightSafety did not provide any support for its statement that it reported to the Department, in eight applications between 1966 and 2001, that the 785-clock-hour program was made up of five courses. We reviewed two applications, dated February 1999 and November 2002, that FlightSafety submitted to the Department (neither of these applications was included in the eight applications mentioned) and found that FlightSafety had not itemized the five courses. If FlightSafety had historically provided an itemized listing of the five courses on its applications to the Department, these two current applications should also contain that itemized list.

We acknowledge that flight schools have an additional requirement of complying with FAA requirements. However, FlightSafety must also comply with Title IV requirements, which allow disbursements of Title IV aid only to students enrolled in eligible programs approved by the Department. FlightSafety did not fulfill this responsibility when it reported to the Department that it offered one 785-clock-hour program, but in reality, permitted students to enroll in one or a combination of several programs that did not equal 785 clock hours. In fact, as we state in Audit Results, not only did the combination of programs offered not equal 785 clock hours, none of our 30 sample students was enrolled in this 785-clock-hour program, and one student received Title IV aid in 2000-01 for enrollment in a 122.5 clock hour program, which did not even meet the minimum of 300 hours required to receive Title IV aid.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our initial objective was to determine if FlightSafety had adequate controls to ensure PLUS borrowers met the Title IV citizenship requirements. During the course of the audit, we expanded our objective to also determine if Title IV aid was disbursed to students enrolled in eligible programs. To achieve our objectives, we—

- Reviewed the citizenship and program eligibility requirements contained in the HEA and regulations.
- Reviewed FlightSafety's 2000 compliance and financial statement audit report and its 2001 compliance audit report.
- Reviewed guidance on the citizenship requirements that the Department has provided to schools in the *Federal Student Aid Handbook* and in *A Guide to 2000-2001 SARs and ISIRs*.

- Interviewed the school's Financial Aid Administrator to determine the school's policies and procedures for documenting and determining the citizenship status of parents and students who received PLUS loans.
- Reviewed the school's written policies relating to verifying citizenship status.
- Interviewed the school's Administrative Manager regarding the Title IV eligibility of flight training programs offered by the school.
- Reviewed licensing certifications from the accrediting agency, the state agency, and the FAA to determine if a 785-clock-hour Aircraft Pilot and Navigator (Professional) program was approved by other agencies.
- Reviewed the school's 2002 catalog to determine what programs were offered.
- Reviewed the school's Application (revised 11/2002), 1999 ECAR, and 1999 Program Participation Agreement to determine if offered programs were approved for Title IV eligibility.

We randomly selected and reviewed files for 30 PLUS loan recipients from a universe of 74 total PLUS loan student recipients at FlightSafety during the 2000-01 award year. To identify our universe, we extracted data from the Department's Central Processing System (CPS) and NSLDS and used the data to identify all 2000-01 PLUS loan student recipients and all citizenship-related comments contained on these recipients' award year 2000-01 SARs and ISIRs. During our file reviews, we determined if the school (1) appropriately documented the citizenship status and, if applicable, resolved any citizenship-related comments or questions, and (2) disbursed Title IV aid to students enrolled in eligible programs.

We relied on computer-processed data obtained from the CPS and NSLDS for background information and to select a random sample of PLUS loan recipients for review. We performed limited tests of the data to verify reliability by comparing the data to information obtained from FlightSafety officials. Based on the results of these tests, we concluded that the computerized data was sufficiently reliable to formulate conclusions associated with the objectives of our audit.

Our review of Title IV citizenship requirements covered the period July 1, 2000, through June 30, 2001. We expanded our scope for the review of Title IV program eligibility requirements to cover July 1, 1998, through June 30, 2002. Audit work was performed at FlightSafety, Vero Beach, Florida, during September 2002. We discussed our results with FlightSafety officials on September 27, 2002; we held an exit conference with FlightSafety officials on February 14, 2003; and we contacted FlightSafety officials on June 9, 2003, to discuss subsequent revisions to our proposed draft report. Our audit was conducted in accordance with generally accepted government auditing standards appropriate to the scope described.

STATEMENT ON MANAGEMENT CONTROLS

As part of our review, we assessed the system of management controls, policies, procedures, and practices applicable to FlightSafety's administration of PLUS loans. Our assessment was performed to determine whether FlightSafety had management controls established to ensure PLUS borrowers met the Title IV citizenship requirements.

Because of inherent limitations, a study and evaluation made for the limited purposes described above would not necessarily disclose all material weaknesses in management controls. FlightSafety's management control structure was sufficient to ensure PLUS loan borrowers met the required Title IV citizenship requirements. However, while reviewing student records to test PLUS citizenship requirements, we identified discrepancies in the Title IV eligibility of the school's Aircraft Pilot and Navigator (Professional) program. These discrepancies are discussed in the AUDIT RESULTS section of this report.

ADMINISTRATIVE MATTERS

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following U.S. Department of Education official, who will consider them before taking final Departmental action on this audit:

Ms. Theresa S. Shaw, Chief Operating Officer
Federal Student Aid
U.S. Department of Education
Union Center Plaza, Rm. 112G1
830 First Street, NE
Washington, DC 20202

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions or wish to discuss the contents of this report, please contact me, at 214-880-3031. Please refer to the control number in all correspondence related to this report.

Sincerely,

for E. Kucholtz

for Sherri L. Demmel
Regional Inspector General for Audit

Enclosure

FlightSafety
international

Vero Beach Municipal Airport P.O. Box 2708 Vero Beach, FL 32961 (772) 564-7600 Fax: (772) 564-7660
Email: academy@flightsafety.com WEB: http:www.flightsafetyacademy.com

15 August 2003

Ms. Sherri L. Demmel
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 2630
Dallas, Texas 75201-6817

Re: Response to U.S. Department of Education Draft Audit Report
Control No. ED-OIG/A06-C0035

Dear Ms. Demmel:

FlightSafety Academy is responding to the U.S. Dept. of Education's Draft Audit Report ("Draft Audit"), which alleges that FlightSafety's Professional Pilot Program is ineligible for Title IV Student Financial Assistance program.

FlightSafety Academy, a division of FlightSafety International Inc., was first approved to participate in the Title IV Federal Loan Program on 01/01/1966. Since 1966, each application has reported approximately 785 hours and has itemized the following five courses that make up the "Program":

Private/Commercial/Instrument/Multi Engine Pilot Course
Commercial Pilot Single Engine Course
Flight Instructor Airplane Single Engine Course
Flight Instructor Instrument Course
Flight Instructor Multi Engine Course

With each re-certification, the hours fluctuate slightly based upon Federal Aviation Administration (FAA) modifications, but they have not changed significantly since the first submission in 1966. The number of hours for the Program have always exceeded the 600 hour eligibility requirement for Title IV.

There have been seven re-applications since 1966 (in 1971,1976,1981,1986,1991,1996, and 2001) followed by seven compliance audits performed by the Atlanta Office of the U.S. Department of Education. All seven re-applications were approved by the U.S. Department of Education. Please be assured that we take compliance with the U.S. Dept. of Education and with Title IV requirements seriously. Given our successful audit record, we were unaware of the concerns raised in the Draft Audit.

Our most recent Program Participation Agreement has an effective approval date of 22 April 1999 and is set to expire on the 31 March 2003, but continues on a month-to-month approval pending re-certification. In 2002, FlightSafety Academy submitted our application for re-certification to the U.S. Department of Education. On 28 January 2002, FlightSafety Academy had an on site visit from the U.S. Department of Education Atlanta Case Management Division. Mr. Cannon Myers and Ms. Pat Gilbert conducted that on site audit. On August 29, 2002, Mr. Meyers advised that the site review was complete satisfactorily.

The Draft Audit is the result of a further inspection, which was targeted at compliance with Title IV citizenship requirements. Contrary to all previous audits, the Draft Audit alleges that FlightSafety's Application contained inaccurate data (referring to the 785 clock hours reported in the Application). The Audit's statement is based upon a review of each course separately and not the Program in the aggregate. The Audit correctly notes that FlightSafety's catalog does not describe one program that consists of 785 hours. While this has created confusion in the audit, it is the method required by both the FAA and the Accrediting Commission of Career Schools and Colleges of Technology ("ACCSCT").

As we tried to explain during the audit, the FAA requires FlightSafety to only enroll a student in one course at a time, as the student must complete the "prerequisite" course before advancing to the next course. The Draft Audit actually acknowledges this fact, "[p]er FAA requirements, students can only enroll in one program at a time and they must complete each program before they can sign the next enrollment agreement." [See Page 3.] The Draft Audit also acknowledges that eligibility for Title IV requires the school to "submit proof that the programs have been approved by the school's accrediting agency, state-licensing agency, and in the case of flight schools, the FAA." [See Page 3.] Our offering of the itemized courses versus the aggregate Program is consistent with FAA regulations.

Itemization of the Program components was also mandated by ACCSCT until 2002. Thus, our focus on the components rather than the Program was again simply to comply with ACCSCT requirements. In 2002, however, the ACCSCT spoke with a number of flight schools about the professional pilot training programs. As a result of these discussions, the ACCSCT realized that certificates received from the first two segments of the Program would not provide the necessary pilot training so as to lead to employment. The ACCSCT requires schools to have a graduate placement of 72% or higher for each program. Consequently, the ACCSCT has agreed to treat the Program as a whole, rather than addressing each segment as a separate "program".

In order to comply with FAA and ACCSCT requirements, FlightSafety has itemized each portion of the Program, which should not lead to the result of having each course viewed as an independent program, particularly since no student could secure employment having completed only one of the five courses. Thus, we respectfully object to the allegation that FlightSafety Application contains inaccurate data.

FlightSafety
International

We do not, however, want to minimize the U.S. Dept. of Education's concerns about FlightSafety's compliance with Title IV requirements. We have, therefore, revised the enrollment agreement signed by the students to include all five courses contained within the Program. A copy of that revised agreement is attached hereto as Exhibit A for your review. Please note the language in the first paragraph where the student expresses his/her intent to enroll in each of the courses lists in Paragraph 5. Also, Paragraph 5 now itemizes the hours for each course, for a total of 782 hours, which is in excess of the 600 hour eligibility requirement.

The Draft Audit also states that FlightSafety failed to submit completion and placement rates as required by 34 C.F.R. 668.8(e)(2). [See Page 3]. FlightSafety believes that 34 C.F.R. 668.8(d)(1) governs the Program and does not require the aforementioned certification by a public accountant which is necessary for programs covered by 34 C.F.R. 668.8(3) only. Please see Page A-2 of FlightSafety's Eligibility and Certification Approval Report, which categorizes the Program as "Non-Degree (600-899 hours)" attached hereto as Exhibit B.

As previously indicated, this Program has been in effect for 37 years and the Atlanta Office of the U.S. Department of Education has conducted seven audits. Based upon these successful audits, FlightSafety believed that it was in compliance with Title IV requirements. In the event that it is determined that FlightSafety's Program is ineligible, we respectfully request that FlightSafety be precluded from participation and not be required to repay approximately $5,665,000 in loans. We believe that the Government faces no financial risk on the loans based upon the following default rates.

US Dept Ed:
Cohort Default Rates:

2002	0.0
2001	0.0
2000	0.0
1999	0.0

Please do not hesitate to contact me if you require any additional information or documentation. We respectfully request that you reconsider the action proposed in the Draft Audit.

Sincerely,

Richard A. Skovgaard,
Director/Center Manager

Encl (2)
Pb

FlightSafety Academy

a division of

FlightSafety International Inc.

2805 Airport Drive Vero Beach, Florida 32960 Tel: (561) 564-7600 Fax: (561) 564-7610

ENROLLMENT AGREEMENT

1. **PROGRAM** - FlightSafety Academy, operated by FlightSafety International Inc., herein referred to as FSI, agrees to provide_____ herein referred to as Student, intends to complete as outlined in Paragraph 5, during a period of 52 weeks commencing on _____,2002___, the Professional Pilot Program, consisting of training clock hours as listed in paragraph 5 of this agreement, to prepare Student to qualify for FAA Private Pilot, Commercial Pilot-single-engine and multi-engine, instrument rating, Certified Flight Instructor, Certified Flight Instructor-Instrument and Multi-Engine Instructor pilot certificates/ratings with anticipated graduation date of _____,2003_____. All flight training activity originates at the Municipal Airport, Vero Beach, Florida. FlightSafety reserves the right to reschedule the training for any reason.

2. **PAYMENT** - The undersigned Student and, if the Student is under 18 years of age, Parent, Guardian or Guarantor agrees to pay FSI for the training designated in paragraph 1 and consisting of the training clock hours and total cost set forth in paragraph 7. Payment shall be in advance of commencing training. Plus an additional $200.00 reserve on account. A payment schedule may be obtained by dividing the agreement total by the length of training program in months. First and last month's payment is due on first day of enrollment. The balance must be paid in installments every thirty days thereafter. It shall be the responsibility, jointly and severally, of the undersigned Student or Parent, Guardian, and Guarantor to maintain a paid-in-advance status. If additional training is required, instruction will be provided at the hourly training rates set forth in paragraph 6.

3. **REFUND** - If the Student is rejected by the school before training commences, the school will refund all monies paid. A Student may cancel without penalty or obligation within three business days of signing an Enrollment Agreement. Students who have not visited the school facility prior to enrollment may also cancel without penalty or obligation within three business days following a regularly scheduled orientation or following a tour of the school facilities. If Student cancels this agreement (except for any reason stated above) before training commences, all monies paid minus a registration fee of 15 percent of the agreement price, but not more than $150.00, will be refunded within 30 days after cancellation. If the Student wishes to cancel and withdraw anytime for any reason after commencing training, or is unable to complete the program within the period specified above, the school will refund to the depositor the amount of any advance payments less training and supplies, etc. actually received within 30 days of withdrawing. The refund (prorated at established hourly rates) of the unused portion of tuition, fees, and other charges for a Student who withdraws or discontinues prior to completion will be determined by the last date of actual attendance for all amounts paid which exceed the pro rata portion of the total charges that the length of the completed portion of the program bears to the total length of the program. The termination of training or cancellation date for refund computation purposes shall be the last date of actual attendance by the student. In the event a Student is granted a leave of absence, and advises the school that he/she will not be returning, the date of notice of intent to withdraw will be used in lieu of the last date of attendance. Credit for books or supplies returned in unused and unmarked condition and with direct proof of purchase shall be granted.

4. **TERMINATION** - FSI reserves the right to terminate this agreement for non payment, failure to comply with FSI rules of conduct and regulations or applicable federal, state, and local aviation regulations or ordinances, failure to maintain full attendance, or failure to achieve minimum passing progress. (See separate Flight Training Evaluation and Grading.) Student may cancel this agreement at any time, with or without cause for any reason. A signed and dated written notification of cancellation is required.

5. **TRAINING** - The following listing sets forth the flight training hours (Hobbs meter clock hours) and the ground training clock hours that constitute the program designated by paragraph 1. The listing reflects either the *minimum* hours of training or experience required by law (Federal Aviation Regulations Part 141 or 61 as applicable) or projected *minimum* hours needed to attain the proficiency which meets the pilot certification skill requirements of the FAR. The prices below are projected based on FAR requirements as outlined in this paragraph. Any additional hours required in order to achieve individual proficiency would be at the published hourly rates set forth in paragraph 6 on the bottom of this form.

FLYING HOURS

Aircraft Type	ARROW	CADET	ZLIN	SEMINOLE	COSTS
Dual	20.0 hrs	73.0 hrs	5.0 hrs	80.0 hrs	$ 36,099.00
Solo		61.0 hrs			$ 5,673.00

NON-FLYING HOURS

Flight Trainer (Frasca 142)	30.0 hrs	$ 3,180.00
Academic Class	301.0 hrs	$ 6,020.00
Flight Briefing	181.1 hrs	$ 9960.50
Microsoft Lab	27.0 hrs	$ 1,485.00
Spatial Disorientation Training	4.0 hrs	$ 500.00
Aptitude Testing Fee		$ 100.00
Drug Testing Fee		$ 60.00
ESTIMATED FEES		$ 63,077.50
Books and Supplies		$ 1,380.00
FAA Written Fees		$ 360.00
Uniforms		$ 300.00
Reserve-on-Account		$ 200.00
AGREEMENT TOTAL		$ 65,317.50

NNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS	TOTAL SALES PRICE
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf	The amount you will have paid after you have made all payments as scheduled.	The total cost of your purchase on credit, including your down payment of
N/A %	$ N/A %	$ N/A	$ .65,317.50	$ .66,317.50

YOUR PAYMENT SCHEDULE WILL BE:

Number of payments	Amount of each payment	When payments are due
12	$ 5,443.13	

*The Professional Pilot Program provides the training required to obtain all the certificates of a Commercial Pilot and Flight Instructor, single-engine, multi-engine and instrument.

6. **HOURLY RATES** - Following are the hourly training rates in effect with this agreement.

ACADEMY AIRCRAFT	DUAL	SOLO
Airplane		
Warrior Cadet	$148.00	$ 93.00
Arrow	182.00	127.00
Zlin	251.00	N/A
Seminole	255.00	200.00

FLIGHT TRAINER	DUAL	
Frasca 142	$106.00	N/A

GROUND TRAINING	
Academic Class	$ 20.00
Flight Briefing	$ 55.00

NO SHOW POLICY - If Student fails to appear for a scheduled flight training period without canceling at least two hours in advance, Student shall be assessed a $50.00 fee for each hour of flight time lost.

FlightSafety Academy

a division of

FlightSafety International Inc.

ENROLLMENT AGREEMENT

ALL PRICES FOR PROGRAMS ARE AS PRINTED HEREIN. THERE ARE NO CARRYING CHARGES, INTEREST CHARGES, OR SERVICE CHARGES CONNECTED OR CHARGED WITH ANY OF THESE PROGRAMS. CONTRACTS ARE NOT SOLD TO A THIRD PARTY.

7. **OTHER COSTS** - Other costs which are normally required or associated with the training program which Student may or may not purchase from the school are listed below. *IMPORTANT NOTE*: The projected costs for examiner services and aircraft rental for FAA tests needed to gain pilot certification have been included in paragraph 5. Although not a part of the minimum instructional program, the following costs are included to give an indication of the anticipated overall cost.

a. **FSI dormitory** - Varies from $17.00 - $27.00 per day according to accommodation. See separate Dormitory Agreement for terms and conditions of occupancy. Student is not required to reside in the FSI dormitory.

b. **Meals** - FSI offers meals for students or employees at our cafeteria style restaurant on campus, or from independent restaurant facilities off campus. Costs will vary accordingly.

c. **FAA Examiner** - When the program is completed and after obtaining instructor endorsements required by the FAR, Student will be eligible for the applicable FAA examination(s). FAA examiners normally receive $175 to $400 for flight examinations for FAA pilot certificates.

d. **Aircraft Rental** - Student may rent an aircraft from FSI for the purpose of taking the FAA flight examination(s). The rental shall be at the hourly solo rate.

8. **SCHEDULE** - Academic classes are normally scheduled between the hours of 0700 to 1900, Monday through Friday. Academic instruction is provided prior to commencing flight training. A schedule of planned class starting dates is published for the calendar year. A schedule of class hours, subjects, and training room assignments is posted weekly. Flight training, which by nature is individual instruction, is scheduled daily during daylight hours. As required, night flights and instrument instructional flights are conducted during the evening hours to be completed prior to midnight. The flight schedule is posted daily. The Student who has completed an academic program and, if taken within 10 working days of the last class, subsequently failed the applicable FAA written examination will be offered one (1) additional opportunity to attend one regularly scheduled academic program free of charge during a period of one (1) year commencing on the date of this agreement. The availability of FSI aircraft is limited due to reasonable Student demand, routine repair and maintenance, and periodic inspections.

9. **GRADUATION** - A pilot Student may qualify for pilot certification under two provisions of Federal Aviation Regulations, FAR Parts 61 or 141. When Student has completed all of the training prescribed herein or has successfully fulfilled all prerequisites and requirements of the pertinent FAR, Student will be awarded a program completion certificate by FlightSafety International.

10. **EMPLOYMENT/PLACEMENT** - FSI agrees to use its best efforts to prepare Student to qualify for the certificate/rating as specified in paragraph 1 above; however, FSI does not warrant or guarantee the Student will obtain such certificate or rating nor can FSI guarantee job placement. Placement assistance consisting of advice and counseling regarding job opportunities, career guidance, and employer directory assistance information is offered to graduates.

11. **HOLD HARMLESS** - The undersigned Student, guardian and/or guarantor, jointly and severally, agrees to indemnity and hold harmless FSI, its agents, servants and employees, from and against any and all claims, demands, suits, actions, causes of action, liabilities and judgments (collectively, "Claims") which may arise out of or result from the training provided hereunder (a) in all respects as to Claims arising after completion of such training and (b) solely with respect to negligence of the Student as to Claims arising during the term of such training.

While the sole occupant of an FSI aircraft, Student assumes responsibility in all cases where collision damage is incurred during any ground taxi operation in which Student's aircraft is the only moving vehicle and not being towed by a FlightSafety International authorized towing tractor. Furthermore, Student agrees to pay for all resulting damages based on the presentation of an invoice from an authorized aircraft repair station as designated by FSI. Student authorizes FSI to apply any funds on account with FSI as payment for damages described above. Nothing in this statement shall limit the Student's liability for any other damages not described above.

CONSUMER'S RIGHT TO CANCEL

YOU MAY CANCEL THIS CONTRACT WITHOUT ANY PENALTY OR OBLIGATION WITHIN 3 BUSINESS DAYS FROM THE DATE OF YOUR SIGNATURE BELOW. ALL MONIES PAID WILL BE REFUNDED. YOU MAY ALSO CANCEL THIS CONTRACT IF UPON DOCTOR'S ORDER YOU CANNOT PHYSICALLY RECEIVE THE SERVICES, OR YOU MAY CANCEL THE CONTRACT IF THE SERVICES CEASE TO BE OFFERED AS STATED IN THE CONTRACT. IF YOU CANCEL THIS CONTRACT FOR EITHER OF THESE REASONS, FLIGHTSAFETY INTERNATIONAL INC. MAY KEEP ONLY A PORTION OF THE TUITION OR CONTRACT PRICE. YOU MAY NOTIFY FLIGHTSAFETY OF YOUR INTENT TO CANCEL BY NOTICE TO:

FlightSafety International Vero Beach Municipal Airport, PO Box 2708, Vero Beach, Florida 32961-2708

THIS CONTRACT IS FOR FUTURE CONSUMER SERVICES AND PUTS ALL ASSIGNEES ON NOTICE OF THE CONSUMER'S RIGHT TO CANCEL UNDER FLORIDA'S FAIR TRADE PRACTICES RULE.

Student Name_____
(Please Print)

Address_____
Street

_____
City State/Country Zip

Telephone_____

Date of Birth_____

I HAVE READ AND RECEIVED A COPY OF THIS AGREEMENT AND ACCEPT AND AGREE TO ITS PROVISIONS. THIS AGREEMENT CONSTITUTES A BINDING CONTRACT UPON ACCEPTANCE AT THE SCHOOL.

_____Date_____
(Student's Signature)

_____Date_____
(Signature of Student's Parent, Guardian, or guarantor- if under 18 years of age)

_____Date_____
(Authorized Representative of FlightSafety International - Signature)

FlightSafety is an Equal Opportunity School

INSTITUTIONAL PARTICIPATION & OVERSIGHT SERVICE

ELIGIBILITY AND CERTIFICATION APPROVAL REPORT

DATE: 05/11/1999

INSTITUTION NAME : Flight Safety Academy
OPE ID : 008483 00

ELIGIBLE : Y
INITIAL APPROVAL DATE : 11/25/1968

WAIVER(S): **** End Of Waivers ***

ACADEMIC CALENDAR : Clock Hours
HIGHEST EDUCATIONAL PROGRAM OFFERED : Non-Degree (600-899 hours)

THE INSTITUTION IS ELIGIBLE TO APPLY FOR PARTICIPATION IN THE FOLLOWING PROGRAMS AUTHORIZED UNDER THE HIGHER EDUCATION ACT OF 1965, AS AMENDED:

TITLE I : N	TITLE IV : Y	TITLE VII : N	TITLE X : N	TITLE XIII : N
TITLE II : N	TITLE V : N	TITLE VIII : N	TITLE XI : N	TITLE XIV : N
TITLE III : N	TITLE VI : N	TITLE IX : N	TITLE XII : N	TITLE XV : N

TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS

CERTIFIED : Certified
LOAN DEFERMENT ONLY : N

PROGRAM PARTICIPATION AGREEMENT
EFFECTIVE DATE 04/29/1999
EXPIRATION DATE : 03/31/2003

PROGRAM	CERTIFIED	APPROVAL DATE	PROGRAM	CERTIFIED	APPROVAL DATE
FWS Com Serv	N		FWS Priv Sec Empl	N	
FWS Job Loc Dev	N		FFEL Staff	Y	11/25/1968
FFEL Staff Unsub	Y	11/25/1968	FFEL PLUS	Y	11/25/1968
FPerkins	N		FSEOG	N	
FPell	N		FDSLP Staff	Y	11/25/1968
FDSLP Staff Unsub	Y	11/25/1968	FDSLP PLUS	Y	11/25/1968

*** End Of Section ****