



OKLAHOMA

Steven Harpe  
Chief Operating Officer

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April 29, 2022

Jamie Rosenberg  
Chief Executive Officer  
ClassWallet  
jrosenberg@classwallet.com

Re: GEER1 Bridge-the-Gap Program Expenditures

Dear Mr. Rosenberg:

As previously stated in a letter dated December 27, 2021, the State of Oklahoma fully intends to pursue from ClassWallet any and all damages the State has incurred or will incur as a result of ClassWallet's failure to comply with its contractual and related legal obligations. As explicitly articulated in the opening page of the contract documents, ClassWallet held itself out as a "supplier[] well steeped in expertise in assisting state schools and personnel with the development and administration of student directed grant programs to enable students to succeed educationally during this health emergency." The State engaged ClassWallet as "a supplier to *manage* and get necessary funding to teachers and schools" because ClassWallet had "the requisite knowledge and capability to provide immediate and necessary services for Oklahoma schools to be able to *manage their funding, transactions, reconciliation of paperwork and receipts, etc.*" (emphasis added). The purpose of the contract was clearly stated and understood, such that for ClassWallet to now deny—or, at least in its January 14, 2022 letter—to deny related responsibility is both unsettling and in direct conflict with the obligations set out in contract. But for ClassWallet's express representations regarding its expertise and intentions, the State would not have chosen ClassWallet as a vendor to help address the coronavirus pandemic's impacts on State families and students. Before the State takes additional action, we remain hopeful that ClassWallet will reconsider the position taken in its January 14<sup>th</sup> letter.

By contract ClassWallet was required, *inter alia*, to create an online platform that included an application portal and a fiscal management and payment system.<sup>1</sup> Among other capabilities, that system was supposed to provide—as explicitly articulated in the contract—the "[a]bility for [parents and legal guardians] to purchase educational resources other than tuition such as technology, supplies, books, etc. with approved ecommerce vendors integrated into the Fiscal Management and Payment System."<sup>2</sup> Put differently, and contrary to ClassWallet's contentions to the contrary, the system was not to allow purchases other than for educational resources. Despite that, documentation reveals that some parents and/or legal guardians were able to utilize ClassWallet's Fiscal

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<sup>1</sup> See Section II of Attachment C to the Contract.

<sup>2</sup> See Section V of Attachment C to the Contract.

Management and Payment System to expend grant funds for purposes not directly tied to education. As you are aware, the United States Department of Education (USDOE) has preliminarily advised the State that it may seek recoupment of any such misappropriated funds. Any payment the State is required to make to the USDOE will directly derive from ClassWallet's breach of the contract; accordingly, the State will and does intend to seek contractual indemnity and damages from ClassWallet.

ClassWallet has also attempted to separate itself from the role of subrecipient as such term is defined by 2 C.F.R. § 200.331. Through its actions and pursuant to terms of the contract, ClassWallet served as a subrecipient, not merely as a contractor—though liability for breach would look the same even under the latter. ClassWallet's role, in pertinent part, was to design a system to determine eligibility; to make programmatic decisions (of which it made many); and to ensure federal funds were used appropriately. Put simply, ClassWallet was a subrecipient and was therefore burdened with corresponding responsibilities under the law. Unfortunately, the State has since been forced to expend resources to address ClassWallet's failures in many respects in its role as a subrecipient. The State has a full expectation that ClassWallet will make the State whole and indemnify it for any associated losses and expenditures.

Assuming ClassWallet utilized subcontractors (*e.g.*, FACTS Management), albeit seemingly without authorization from the State as required under the contract, ClassWallet's contractual obligations to the State remained unchanged. ClassWallet was required to advise subcontractors of and ensure adherence to all obligations under the contract.<sup>3</sup> In accordance with Section 9.5 of the contract, immediately submit to the State evidence that ClassWallet, in fact, informed all employees, agents, and subcontractors of all obligations under the contract, and if ClassWallet contends the State approved a subcontract between ClassWallet and FACTS Management or any other third party, provide proof of that as well.

The terms of the contract also explicitly required ClassWallet to retain records relative to the contract for a period of seven years following completion or termination of the contract.<sup>4</sup> In addition to any other documents sought herein, the State requests that ClassWallet immediately provide all records supporting ClassWallet's contention that it complied with the contract and all subcontract agreements between ClassWallet and any subcontractors. To the extent ClassWallet contends the contract was ever modified in any way, the State also requests all supportive documentation.

Advise no later than May 6, 2022 as to whether ClassWallet intends to comply with its duty to indemnify the State and to make the State whole for all losses associated with ClassWallet's failures under the contract and under the law. To date, ClassWallet

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<sup>3</sup> See Section 9.5 of the Contract.

<sup>4</sup> See Section 10.2 of the Contract.

has sought to minimize—or, in some instances altogether shirk—its contractual and legal obligations to the State and some of its most vulnerable citizens. We remain hopeful ClassWallet will take appropriate action at this point. If a resolution or productive dialogue toward resolution is not reached soon, the State will have no option but to exercise its contractual right to file suit in the Oklahoma County District Court.

Respectfully,

A handwritten signature in black ink, appearing to read 'SH', with a horizontal line extending to the right.

Steven Harpe  
Oklahoma State Chief Operating Officer  
Deputy Secretary of Digital Transformation and Administration