

February 6, 2014

Good morning,

This morning I want to share an update for the second quarter of fiscal year 2014.

- Several of our key performance measures were favorable, most notably the new student enrollment at The Art Institutes and South University turned positive and the continued improvement in our overall 180-day new student cohort retention rate was up 1.7 percent.
- Students have received \$70 million in scholarships from our institutions for the first six months, an increase of approximately 50 percent over last year.
- We reported net revenues of \$594 million, down 9 percent from the prior year, and net income of \$1 million.
- Total enrolled student body was 122,990, down 6.5 percent when compared to the same period last year.
- As a result of fewer students enrolled in the current term than previously anticipated, we have adjusted our outlook for the remainder of the year.
- We have taken several steps to address the current operating conditions, including increasing scholarships and focusing on programs where we have strong differentiation and solid student outcomes.

While we made progress in the quarter, I think we would all agree the results are not where we want them to be. That being said, some of the external commentary surrounding our performance this quarter could be negative, but we must not let it distract us from what matters most ... serving the needs of our students.

Every day, across our many campuses, students are doing incredible things and moving closer to realizing their dreams. They are counting on us to provide an affordable, high-quality learning experience. It's critically important that we put the needs of our students at the center of everything we do – Students First.

To do so, we need to find ways to simplify our work. With this in mind, if you know of something we should either start or stop doing, that helps our students and institutions, please share it with me ewest1@edmc.edu.

Thank you for your continued commitment and support.

Best,

