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**From:** Coyle, Meghan  
**Sent:** Friday, February 17, 2017 10:51 AM  
**To:** 'Them, Richard (richard.them@edmc.edu)'  
**Subject:** Upcoming preacquisition review

Hi, Richard—

For purposes of the Department's preacquisition review, please provide the following documents and information:

1. Letter of intent (DCF/Najafi)
2. Najafi Debt Commitment letter
3. DCF Equity Commitment letter
4. Purchase Agreement between DCF and 2301 LA Holdings for 2301 Bellevue
5. Closing binder(s) index(es) for purchase/financing/refinancing of Dream Center Foundation's primary campus facilities to 2301 LA Holdings, including any transaction with LADF VI LLC.
6. All documents representing the "one day loan" and the "Note Receivable" (\$34.8 million) (including by way of example only -- note agreement(s), promissory note(s), amendments, modifications, pledge or security agreements)
7. DCF Loan Agreement with Tommy Barnett
8. A description of DCF's plan for working capital for the operation of the purchased assets following the transaction.

Items 1-3 are referred to in Section 5.6 of the Asset Purchase Agreement with EDMC.

Item 6 is described in the Dream Center's 12/31/15 financial statements (note 7).

Item 7 is described in the Dream Center's 12/31/15 financial statements (note 8).

This is a preliminary request for information and after the requested information and documents are received and reviewed, we will likely contact you for additional materials.

Please let us know if you have any questions.

Thanks,

Meghan

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Meghan Coyle (née Gladden)  
Eligibility Analyst  
Multi-Regional and Foreign Schools Participation Division  
U.S. Department of Education  
61 Forsyth Street, Suite 18T40  
Atlanta, GA 30303  
404-974-9302

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**From:** Mangold, Donna  
**Sent:** Wednesday, March 22, 2017 9:55 AM  
**To:** Frola, Michael; Coyle, Meghan; Finley, Steve; Sikora, Tara; Arthur, Julie  
**Cc:** Allred, Michelle; Urwitz, Jay  
**Subject:** RE: EDMC - DCF Transaction

+ Jay.

Per my e-mail from a few minutes ago. No call is necessary until we get the documents.

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**From:** Frola, Michael  
**Sent:** Wednesday, March 22, 2017 9:49 AM  
**To:** Coyle, Meghan; Finley, Steve; Mangold, Donna; Sikora, Tara; Arthur, Julie  
**Cc:** Allred, Michelle  
**Subject:** FW: EDMC - DCF Transaction

Do we need to set up a conference call to check in on the status of the CIO application and a response to Ron Holt's email below?

Thanks,  
Mike

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**From:** Ronald L. Holt [<mailto:rholt@dfgrglaw.com>]  
**Sent:** Tuesday, March 21, 2017 7:24 PM  
**To:** Finley, Steve  
**Cc:** Hylden, Tom ([Tom.Hylden@PowersLaw.com](mailto:Tom.Hylden@PowersLaw.com)); Beller, Sean ([Sean.Beller@PowersLaw.com](mailto:Sean.Beller@PowersLaw.com)); Frola, Michael  
**Subject:** EDMC - DCF Transaction

Dear Steve:

As you know, Education Management Corporation (EDMC) and Dream Center Foundation (DCF) on February 24 signed an Amended and Restated Asset Purchase Agreement under which DCF, through multiple downstream subsidiaries, will acquire South University, Argosy University, and all of the Art Institute locations not in teach-out (including several Art Institute OPEIDs). Richard Them at EDMC provided the original Asset Purchase Agreement to you and Mike Frola on January 25, 2017. EDMC provided additional information regarding the transaction (including the Amended and Restated Asset Purchase Agreement) and DCF's nonprofit status to Mr. Frola and Meghan Coyle, which the latter had requested in connection with determining the post-closing treatment of the institutions as nonprofits for Title IV purposes. Mr. Them also circulated to Mr. Frola, with a carbon copy to you, proposed discussion points regarding the transaction on February 8, 2017.

On behalf of Tom Hylden and Sean Beller (counsel for EDMC) and myself (counsel for DCF), we are reaching out to you concerning regulatory treatment of the subsidiary LLCs, which DCF (a California nonprofit organization recognized as exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code), plans to form and operate as nonprofits, in acquiring the assets of the EDMC schools from the EDMC subsidiaries. We understand Mr. Them briefly raised this issue on a call with Mr. Frola last week and Mr. Frola told him that regulatory counsel for the parties could reach out to you to discuss this matter.

The parties are aiming for a summer closing and have begun submitting notifications and applications to accrediting bodies and some state licensing agencies. We also have filed pre-acquisition review applications for the Art Institute of Houston, the Art Institute of Atlanta, South University, and Miami International University of Art & Design. These applications provide the proposed new ownership structure, including the DCF entities that will acquire each of the four institutions.

For convenient reference, I am attaching a DCF Organizational Chart that depicts the upstream DCF ownership structure reported in the four pre-acquisition review applications, which: (1) starts at Level 4 with DCF, a California nonprofit corporation that has been in existence for over 10 years, (2) moves next at Level 3 to Dream Center Educations Holdings LLC (DC Education), a new single member Arizona LLC of which DCF is the single member, (3) then moves at Level 2 to one of three different university system holding companies – Art Institutes International, LLC (AI International), Dream Center South University, LLC (DC South), and Dream Center Argosy University of California, LLC (DC Argosy) – all of which also are newly formed single-member Arizona LLCs, of which DC Education is the single member, and (4) then at Level 1 to multiple single member LLCs, of which one of the 3 university system holding companies is the single member, which will be acquiring specific institutional assets from specific EDMC subsidiaries. The DCF Organizational Chart, for reasons explained below, is likely to change as to the state of formation for the Level 1 buyer entities.

DC Education, DC South, DC Argosy and AI International and three subsidiaries of AI International - who are the buyers involved in three of the four pre-acquisition applications, AI Atlanta, AI Houston and Miami International – all have been formed as Arizona single member LLCs. Due to accrediting and state licensing considerations, we expect to form all of the other Level 1 single-member LLC buyers under the laws of the state in which the corresponding, existing EDMC seller subsidiary was formed, and we may replace the three AI International subsidiaries with buyer LLCs formed under the law of the states under which each of the corresponding EDMC subsidiary seller companies was formed. For the same reasons, we are considering forming under Georgia law a new intermediate single member subsidiary of Dream Center South University, LLC (an Arizona LLC) and forming under California law an intermediate single member subsidiary of Dream Center Argosy University of California, LLC (an Arizona LLC).

Before moving forward to form the buyer subsidiary LLCs under the laws of various states, we would like to first confirm that the Department agrees with our understanding that the recently formed upstream single-member Arizona LLC companies – DC Education, DC South, DC Argosy and AI International – all will qualify, for Title IV nonprofit institution purposes, as tax exempt nonprofit companies. Because all entities downstream from DCF will be single member LLCs, of which DCF will be the ultimate upstream single member, all of the subsidiaries will share DCF's tax exempt status. Attached is a memorandum on this point prepared by Randy Barton, who is a tax exempt attorney, in addition to being the Managing Director of DCF. While Arizona law does not expressly designate LLCs as for profit or nonprofit, when an LLC is formed for nonprofit purposes, qualifies with the IRS as a tax exempt entity, and operates as a nonprofit, then Arizona law treats the

LLC as a nonprofit. If it would be useful, our Arizona business organizations counsel can confirm this.

Tom Hylden and Sean Beller and I believe a call to discuss this will be helpful for all parties and we anticipate that it will take approximately half an hour.

Please let us know what dates and times would work for a call. Thank you in advance for your time and input.

Regards, Ron Holt

cc: Mike Frola, Tom Hylden, Sean Beller

**Ronald L. Holt**, Attorney

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**From:** Miller, Lia <lmiller@edmc.edu>  
**Sent:** Monday, March 27, 2017 10:49 AM  
**To:** Frola, Michael; Coyle, Meghan  
**Cc:** Them, Richard  
**Subject:** FW: Upcoming preacquisition review  
**Attachments:** 4. Donation Agreement.pdf; 5. Closing Binder Index.pdf; DCF-Dream Center Education Holdings, Equity Commitment Ltr, 2-24-17, Ful....pdf; Loan Commitment.pdf; Najafi-DCF Lending LOI, Fully Signed.pdf

*-Lia*

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**From:** Miller, Lia  
**Sent:** Monday, February 27, 2017 5:23 PM  
**To:** [meghan.coyle@ed.gov](mailto:meghan.coyle@ed.gov)  
**Cc:** Them, Richard ([richard.thern@edmc.edu](mailto:richard.thern@edmc.edu))  
**Subject:** RE: Upcoming preacquisition review

Hi Meghan

Attached are items 1 through 5. I will send 6 in a separate e-mail do to the size.

We will send items 7 and 8 when available.

Thanks.

*Lia Miller*  
EDMC - Student Finance & Compliance  
Business Analyst II  
PH: 412-995-7416  
Fax: 412-995-7553  
[lmiller@edmc.edu](mailto:lmiller@edmc.edu)

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**From:** Coyle, Meghan [<mailto:Meghan.Coyle@ed.gov>]  
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## **DONATION AGREEMENT**

THIS DONATION AGREEMENT (the “**Agreement**”) is entered into as of this 27<sup>th</sup> day of August, 2012, by and between THE DREAM CENTER, a California nonprofit religious corporation (“**Dream Center**”), and THE DREAM CENTER FOUNDATION, a California nonprofit public benefit corporation (the “**Foundation**”).

### **BACKGROUND**

**WHEREAS**, Dream Center intends to enter into a new markets tax credit financing (the “**NMTC Financing**”) in connection with the financing and construction of certain capital improvements on that certain improved real property located at 2301 Bellevue Avenue in Los Angeles, California, for use as a facility that provides charitable services and programs (such improved real property, the “**Property**,” and the financing and improvements thereto, the “**Project**”).

**WHEREAS**, the Foundation is a nonprofit corporation whose primary mission and purpose is to support Dream Center through fundraising and other activities (the “**Foundation Nonprofit Mission**”).

**WHEREAS**, Dream Center desires to donate, contribute and otherwise transfer and assign over to the Foundation a donation in the amount of (b)(4)  
(b)(4) for the express purpose of furthering the benefits of the NMTC Financing to Dream Center and its nonprofit mission, purposes, and activities (the “**Donation**”).

**WHEREAS**, the Foundation is willing to accept and receive the Donation for the sole and express purpose of utilizing the same to repay that certain one-day loan in connection with making that certain leverage loan pursuant to the NMTC Financing, which such leverage loan will directly benefit Dream Center pursuant to the NMTC Financing and is otherwise consistent with the Foundation Nonprofit Mission.

**WHEREAS**, this Agreement is being entered into by and among the parties hereto to (i) evidence and document the Donation, and (ii) support recordation of the same on Dream Center’s and the Foundation’s respective books and records.

### **AGREEMENT**

**NOW THEREFORE**, the foregoing is expressly incorporated hereinafter by this reference and hereby made a part hereof, the undersigned, intending to be legally bound hereby, covenant and agree as set forth below.

1. Donation. Pursuant to and in support of the Foundation Nonprofit Mission, Dream Center hereby agrees to donate, contribute and otherwise transfer and assign over to the Foundation the Donation, and the Foundation acknowledges and agrees to accept the same.

2. Recordation. Dream Center and the Foundation hereby agree to record the Donation on their respective books and records.

3. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of California.

4. Counterparts. This Agreement may be executed in counterparts, each of which shall be treated as an original hereof, but all of which, when taken together, shall constitute one and the same instrument.

5. General Provisions. The descriptive headings of the sections of this Agreement have been inserted herein for convenience of reference only and shall not define or limit the provisions hereof. Time is of the essence of this Agreement. This Agreement may not be amended without the consent of the parties hereto.

*[Signatures follow.]*



