October 5, 2017

Mr. Brent Richardson
Chief Executive Officer
Dream Center Education Holdings, LLC
7135 East Camelback Road
Phoenix, Arizona 85251

Re: Preacquisition Review of the Proposed Change in Ownership and Conversion to Nonprofit Status:

Argosy University (02179900)
South University (01303900)
Miami International University of Art & Design (00887800)
The Art Institute of Houston (02117100)
The Art Institute of Atlanta (00927000)
The Art Institute of Seattle (02291300)
The Art Institute of Portland (00781900)
The Art Institute of Fort Lauderdale (01019500)
The Art Institute of Phoenix (04051300)
The Art Institute of Colorado (02078900)
The Illinois Institute of Art (01258400)
The Art Institute of Pittsburgh (00747000)
The Art Institute of Philadelphia (00835000)

Dear Mr. Richardson:

On October 4, 2017, following discussions with the ARPA Parties and their counsel, the Department issued a letter supplementing the September 12, 2017 Preacquisition Response[1] ("Supplement"). The Supplement addressed EDMC's ACICS Institutions, and the Letter of Credit ("LOC") requirement set forth in the Preacquisition Response. This letter is intended to provide DC ED Holdings with the Department's response to the ARPA Parties' request that the Department reconsider its calculation of the LOC set forth in the Supplement.

The Department's determinations set forth in this amendment to the Supplement are not binding on the Department, and may be modified as a result of the Department's final review of the CIO and conversion to nonprofit status. This letter is an amendment to the Supplement, but does not

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[1] *See* the Preacquisition Response, the Amended and Restated Purchase Agreement ("ARPA"), and the Supplement for capitalized terms that are not specifically defined in this amended letter.

replace the requirements for participation set forth in the Preacquisition Response or the Supplement, except as specifically addressed or modified in this amendment.

The LOC calculations set forth in the Supplement were based on 10% of Title IV funding for the 2016-2017 award year for the group of EDMC-owned institutions—and all of their additional locations—that are part of the proposed CIO. EDMC has asked the Department to reconsider its calculation of the LOC amounts, and to exclude from the LOC calculations the amounts of Title IV funding disbursed to students attending EDMC locations that have recently been sold (to a party other than DC ED Holdings/DCF), and also to exclude the amounts of Title IV funding disbursed to students attending locations that will be closed and are not being conveyed to DC ED Holdings/DCF (*i.e.,* the locations that have been redesignated as additional locations of The Art Institutes International of Minnesota). The locations excluded from the pending transaction are collectively referred to herein as the "Non-DCF Institutions." The Department has agreed to do so, but will require EDMC to continue to maintain a sufficient LOC to satisfy any closed school loan discharges resulting from its closure of the Non-DCF Institutions.

Amended LOC Requirement

The Department is currently holding LOCs in the amount of $194,040,141 (BNP Paribas LOC# 04141402 - $22,967,981.50; BNP Paribas LOC# 04141468 - $102,168,215; and Bank of America LOC# 68073794 - $68,903,944.50) that were posted by EDMC ("EDMC LOCs"). The LOCs expire on May 31, 2018.

1. The Department will continue to hold 100% of the EDMC LOCs until the First CIO Closing;

2. Following the First CIO Closing, and until a substitute LOC is posted by DC ED Holdings/DCF, the Department will continue to hold the EDMC LOCs on behalf of the Institutions under their new ownership, in the amount of $92,624,329. This amount is equal to 10% of the schools' (including the additional locations of those schools which are part of the CIO) Title IV funding for the 2016-2017 award year referenced on the first page of this letter ("DCF Institutions/Additional Locations");

3. Following the First CIO Closing, the Department will continue to hold a portion of the EDMC LOCs on behalf of the Non-DCF Institutions, to provide for payment of any amounts owed to the Department, including for any closed school loan discharges ("Non-DCF LOC Amount"). The Non-DCF LOC Amount is $14,884,804, and the Department will continue to hold the Non-DCF LOC Amount until after the Non-DCF Institutions have been closed for two years and the final audits for these institutions are completed. The Department reserves the right to re-evaluate the Non-DCF LOC Amount once the locations are closed;

4. Following the First CIO Closing, EDMC or DC ED Holdings/DCF can modify the LOCs or submit a new LOC, so long as the total amount of LOCs on file for the DCF Institutions/Additional Locations and the Non-DCF Institutions is at least $107,509,133. If the LOCs on file are modified, then EDMC and DC ED Holdings/DCF must provide

written confirmation and acknowledgement that the entire amount of the LOCs on file can be used to cover any liabilities for all institutions currently covered under the LOCs regardless of ownership;

5. No later than May 1, 2018, the expiration dates of the LOC(s) on file must be extended, or new LOC(s) must provided, which extend surety for the required amounts until May 31, 2019;

6. If DC ED Holdings/DCF or EDMC fails to post and/or extend the LOC(s) as required by paragraph 5 by May 1, 2018, the Department will draw down on the LOC(s) on file in the amounts described in paragraphs 2, 3, and 4 above; and

7. The LOC requirement may be increased when the Department reviews the same day balance sheet submitted as part of the CIO.

If you have any questions, please contact Meghan Coyle at Meghan.Coyle@ed.gov.

(b)(6) [redacted]

Joseph Smith
Compliance Manager

cc: Richard Them, Senior Vice President – Student Finance and Compliance, EDMC (rthem@edmc.edu)

October 4, 2017

Mr. Brent Richardson
Chief Executive Officer
Dream Center Education Holdings, LLC
7135 East Camelback Road
Phoenix, Arizona 85251

Re: Preacquisition Review of the Proposed Change in Ownership and Conversion to Nonprofit Status:

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The Art Institute of Pittsburgh (00747000)
The Art Institute of Philadelphia (00835000)

Dear Mr. Richardson:

This letter supplements the Department's September 12, 2017 letter ("Preacquisition Response") which provided the Department's Preliminary Determination[1] following its preacquisition review of the proposed change in ownership ("CIO") application for the above-referenced institutions ("the Institutions").

As stated in the Preacquisition Response, formal approvals of the CIO and conversion to nonprofit status are contingent on the ARPA Parties' compliance with the requirements of 34 C.F.R. § 600.20(g) and (h); the Department's approval of any submissions required by those regulatory provisions; any further documentation and information requested by the Department following the CIO, including all documents related to the Transaction and the conversion to public institution status; and the ARPA Parties' compliance with the conditions set forth in the Preacquisition

[1] *See* the Preacquisition Response and the Amended and Restated Purchase Agreement ("ARPA") for capitalized terms that are not specifically defined in this supplemental letter.

Response. This supplemental letter is intended to provide DC ED Holdings with the Department's response to the ARPA Parties' request that the Department reconsider its position on the ACICS schools (as set forth in Section I.C. of the Preacquisition Response), and to modify the letter of credit ("LOC') requirement.

The Department's determinations set forth in this supplement to the Preacquisition Response are not binding on the Department, and may be modified as a result of the Department's final review of the CIO and conversion to nonprofit status. This letter supplements, but does not replace the requirements for participation set forth in the Preacquisition Response, except as specifically addressed or modified in this supplemental letter.

A. ACICS Institutions

Having considered the ARPA Parties' request relating to the ACICS Institutions, the Department hereby deletes Section I.C. of the Preacquisition Response in its entirety, and substitutes the following language:

> In its July 11, 2017 Response to the Department's June 27, 2017 request for information, EDMC advised the Department that The Art Institute of Fort Lauderdale ("AI-FL") and The Art Institute of Phoenix ("AI-Ph") will be included in the first closing. The Accrediting Council for Independent Colleges and Schools ("ACICS") is the institutional accreditor for AI-FL and AI-Ph. On December 12, 2016, the Secretary withdrew ACICS's authority as a federally-recognized accrediting agency. The Department understands that AI-FL and AI-Ph are going to become additional locations of The Art Institute of Pittsburgh ("AI-Pitt"), and as additional locations of AI-Pitt, will be accredited by the Middle States Commission on Higher Education ("Middle States"). The ARPA Parties have also advised that there is currently an application with the Middle States to obtain such approval.
>
> Given the pending application with Middle States, the Department will permit the transfer of AI-FL and AI-Ph in the first closing with the understanding that PI-Pitt agrees to assume Title IV program liabilities for AI-FL and AI-Ph, and acknowledges that the cohort default rates for AI-FL and AI-Ph will become a part of AI-Pitt after Middle States' approval is finalized. The Department believes such approval is permitted under these circumstances, given there is already an application pending with Middle States, and in recognition of the Department's role in overseeing the institutions formerly accredited by ACICS.
>
> The Department cautions the ARPA Parties that, under current law, unless a federally-recognized accrediting agency is in place to provide accreditation to AI-FL and AI-Ph by June 12, 2018, those institutions will lose Title IV eligibility. However, in the event that Middle States determines prior to June 12, 2018 that it will not approve the pending application as it relates to AI-FL and/or AI-Ph, the Department reserves the right to reassess its position on the status of AI-FL and AI-Ph with regard to continuing participation. In that event, the Department would have to determine what, if any, conditions could be imposed that might allow AI-FL and AI-Ph to continue participation.

Given the above modification, the Department hereby deletes the paragraph titled "Loss of Eligibility Concerns" in Section III of the Preacquisition Response.

B. LOC Requirement

The Department is currently holding LOCs in the amount of $194,040,141 (BNP Paribas LOC# 04141402 - $22,967,981.50; BNP Paribas LOC# 04141468 - $102,168,215; and Bank of America LOC# 68073794 - $68,903,944.50) that were posted by EDMC ("EDMC LOCs"). The LOCs expire on May 31, 2018.

Following discussions with the ARPA Parties and their counsel, the Department hereby modifies and clarifies the LOC requirement set forth on page 7 (Condition 2), page 9, and page 14 of the Preacquisition Response as follows:

1. The Department will continue to hold 100% of the EDMC LOCs until the execution of the First CIO Closing;

2. Following the First CIO Closing, and until a substitute LOC is posted by DC ED Holdings/DCF, the Department will continue to hold the EDMC LOCs on behalf of the Institutions under their new ownership, in an amount of $98,462,561 that is equal to 10% of the last fiscal year's Title IV funding for those Institutions;

3. Following the First CIO Closing, the Department will continue to hold a portion of the EDMC LOCs on behalf of the Institutions that EDMC is not conveying to DC ED Holdings/DCF, to provide for payment of any amounts owed to the Department, including for any closed school loan discharges. This portion of the EDMC LOCs is $5,590,815, and the Department will continue to hold it until after the Institutions have been closed for two years and the final audit for these Institutions are completed;

4. Following the First CIO Closing, EDMC or DC ED Holdings/DFC can modify the LOCs or submit a new LOC in the amount of $104,053,376. If the LOCs on file are modified, then EDMC and DC ED Holdings/DFC must provide written confirmation and acknowledgement that the entire amount of the LOCs on file can be used to cover any liabilities for all Institutions currently covered under the LOCs regardless to ownership;

5. No later than May 1, 2018, DC ED Holdings/DCF must post an LOC or extend the LOCs until at least March 31, 2019;

6. If DC ED Holdings/DCF fails to post and/or extend the LOC(s) as required by paragraph 5 by May 1, 2018, the Department will draw down on the EDMC LOCs in the amount described in paragraph 4 above; and

7. The LOC requirement may be increased when the Department reviews the same day balance sheet submitted as part of the CIO.

C. Reminder

Please ensure that EDMC complies with the requirement in Condition 3 (page 7 of the Preacquisition Response) to provide the Department with a detailed explanation of the payment calculation for the accelerated payments under the Settlement Agreement, including with regard to the working capital adjustment.

If you have any questions, please contact Meghan Coyle at Meghan.Coyle@ed.gov.

Sincerely,

(b)(6)

Michael Frola
Division Director

cc: Richard Them, SVP– Student Finance and Compliance, EDMC (email: rthem@edmc.edu)
Dennis Cariello, Hogan Marren Babbo & Rose, LTD (email: dennis.cariello@hmbr.com)

September 12, 2017

Mr. Brent Richardson
Chief Executive Officer
Dream Center Education Holdings, LLC
7135 East Camelback Road
Phoenix, Arizona 85251

UPS Tracking Number:
1ZA879640299912303

Re: Preacquisition Review of the Proposed Change in Ownership and Conversion to Nonprofit Status:

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The Art Institute of Philadelphia (00835000)

Dear Mr. Richardson:

At your request, the Multi-Regional and Foreign School Participation Division ("MRFSPD") of the U.S. Department of Education ("Department"), Federal Student Aid has conducted a preacquisition review ("Review") of the proposed change in ownership application for the institutions identified above (collectively, "the Institutions"). The Institutions are currently owned by various entities affiliated with Education Management Corporation ("EDMC").

If consummated, the change in ownership ("CIO") will be accomplished pursuant to the terms of the Amended and Restated Purchase Agreement dated February 24, 2017 ("ARPA") between EDMC and its affiliates ("Sellers"), and the Dream Center Foundation ("DCF"), a California nonprofit corporation, and its affiliates ("Buyers")("the Transaction"). The Sellers are identified on Schedule A of the ARPA and the Buyers are identified on Schedule B of the ARPA, and Sellers and Buyers are hereinafter collectively referred to as the "ARPA Parties."

The ARPA Parties have also requested the Department's approval of the Institutions' conversion to nonprofit status once the Transaction is consummated.

A preacquisition review is undertaken prior to the CIO, so that the Department can preliminarily advise an institution whether the Department has identified problems with the institution's application or the proposed transaction, and to identify, to the extent feasible, any additional conditions that may be imposed in a provisional program participation agreement ("PPPA"). In the course of its Review, the Department reviewed the electronic applications and supporting documentation submitted in support of the applications. In addition, the Department requested documentation and information from EDMC on February 17, 2017 and June 27, 2017. In addition to its response to the February 17, 2017 request, EDMC provided a written response to the June 27, 2017 request, along with additional supporting documents, on July 11, 2017 ("EDMC July 11 Response"). In addition to the documents provided, the representations made in the EDMC July 11 Response have been relied upon by the Department in reaching the Preliminary Determination set forth herein. The Department has reviewed all of the materials submitted by EDMC in support of the applications.

This letter ("Preacquisition Review Response") sets out the results of the Department's Review of the requested approvals for the CIO and nonprofit institution status. As explained below, the Department has preliminarily concluded that, based on the information and documents provided to date, it does not see any impediment to EDMC's request for approval of the CIO or its request for approval of nonprofit institution status ("Preliminary Determination") following the CIO. Please note however, that formal approvals of the CIO and nonprofit institution status are contingent on the ARPA Parties' compliance with the requirements of 34 C.F.R. § 600.20(g) and (h), the Department's review and approval of any submissions required by those regulatory provisions, and any further documentation and information requested by the Department following the CIO or in this Preacquisition Review Response, including all documents related to the Transaction and the Institutions' conversion to nonprofit status. Some of the items for further review are described below. This Preliminary Determination is intended to provide the ARPA Parties with the Department's current view about the CIO and conversion to nonprofit status, but it is not binding on the Department.

I. CIO AND REQUEST FOR CONVERSION TO NONPROFIT STATUS

A. Regulatory Authority

The Department regulations identify certain covered transactions for an institution that constitute a CIO which require the institution to apply for and obtain approval from the Department to continue participating in Title IV, HEA programs. These include instances where an institution is sold, is merged with one or more eligible institutions, experiences a change in the owner of the controlling stock, has a transfer of assets that comprise a substantial portion of the education business of the institution, or has a change in status as a for-profit, nonprofit, or public institution. 34 C.F.R. § 600.31(d). To establish eligibility and to continue participation in Title IV, HEA programs, an institution must demonstrate to the Department that, after the change, the institution qualifies to be certified to participate under 34 C.F.R. Part 668, Subpart B pursuant to 34 C.F.R. § 600.31(a)(3)(ii). *See also* 34 C.F.R. § 600.20(g) and (h) (requirements for provisional certification following a CIO which results in a change of control).

Because the Institutions seek to participate in Title IV, HEA programs as nonprofit institutions, they must meet the Department's requirements for that status. The Department regulations define a nonprofit instituton as an institution that:

(i) Is owned and operated by one or more nonprofit corporations or associations, no part of the net earnings of which benefit any private shareholder or individual[1];
(ii) Is legally authorized to operate as a nonprofit organization by each State in which it is physically located; and
(iii) Is determined by the Internal Revenue Service to be an organization to which contributions are tax dedeuctible under 26 U.S.C §501(c)(3) of the Internal Revenue Code. 34 C.F.R. § 600.2 (definition of nonprofit).

B. Transaction Summary

DCF is the ultimate parent of the Buyers. DCF was organized on January 8, 2008 as a California nonprofit. Its Articles of Incorporation state that the purpose of the corporation is "to promote social welfare in the community by funding [various identified entities collectively referred to as 'The Dream Center Organizations']. … Such funding shall include, among other things, funding The Dream Center Organizations' numerous social welfare programs that provide food, shelter, clothing, health care and education to people in need on a daily basis, and assist in the beautification of The Dream Center Organizations' facilities and its neighboring communities." As set forth in its Bylaws (January 20, 2009) DCF has no members, and is managed by its Board of Directors. *See also* EDMC July 11 Response at p. 5. Neither DCF nor any of the Buyers has previous experience managing postsecondary institutions or administering Title IV, HEA programs.

DCF is the 100% owner of Dream Center Education Holdings, LLC ("DCED Holdings") an Arizona nonprofit that was formed on January 9, 2017 to facilitate the Transaction. DCED Holdings in turn owns four other nonprofits. The Arts Institutes International, LLC ("AII"), Dream Center South University, LLC ("DCSU"), Dream Center Argosy University of California, LLC ("DCAUC") and Dream Center Education Management, LLC ("DC Management") were all formed on January 9 or 10, 2017. Schedule B to the ARPA identifies DCF, DCED Holdings, DC Management, AII, DCSU and DCAUC as the Buyers in the Transaction. AII, DCSU and DCAUC in turn, through a series of nonprofit subsidiaries, will own the Institutions after the Transaction. DC Management will provide services to the owner entities and the Institutions. *See* Exhibit L to EDMC July 11 Response (chart depicting post-closing ownership structure).

As set forth in ARPA § 3.3, the consideration for the Transaction will be $60 million. EDMC has advised the Department that $50 million of the purchase price will be paid with $25 million in cash at closing, and $25 million will be paid as a result of a net working capital adjustment. *See also* ARPA §§ 3.3, 3.4. The $25 million in cash will be funded by financing provided by Najafi Companies, LLC (through an affiliated lender, ED Holding, LLC) (hereinafter referred to as

[1] *See also* HEA § 103(13), 20 U.S.C. § 1003(13).

"Najafi"). The remaining $10 million of the purchase price is deferred. ARPA § 3.3.[2] The Deferred Payments are to be paid from the Institutions' operations in two $5,000,000 payments. The first $5,000,000 is to be paid six months after the first closing date, and the remaining $5,000,000 balance is to be paid twelve months after the first closing date. *See* EDMC July 11 Response at p. 2.[3]

The Najafi financing is through a Credit Agreement and "Related Documents," including a Promissory Note, Continuing Guaranty, Continuing Security Agreement, UCC Financing Statements, Intercreditor Agreement and assignments or pledges of intellectual property. Unexecuted versions of the Credit Agreement, Promissory Note, Continuing Guaranty and Continuing Security Agreement were provided to the Department on August 9, 2017.

Najafi's agreement to extend credit is contingent on DCF providing "evidence that the Working Capital Line of Credit [has] been established upon terms and conditions that are acceptable to the Obligors [DCF and its subsidiaries]." Credit Agreement §3.3(d). EDMC has submitted a summary of DCF's working capital plan (Exhibit H to EDMC July 11 Response), and on September 6, 2017, provided several draft documents relating to the proposed working capital line of credit. However, the actual lenders (described in the Senior Secured Credit and Guaranty Agreement as "Various Lenders") have not been identified, and these are draft documents, not the final documents. Given the late tender of these documents, the Department has not had the opportunity to fully review these draft documents. Nevertheless, the Department is accommodating the request of the ARPA Parties for the Department to issue the Preacquisition Review Response prior to September 15, 2017. The Department advises the ARPA Parties that the Department will require all final documents relating to the working capital line (including any intercreditor agreement with Najafi) to be submitted prior to the final review of the CIO. The Department will also require all of the lenders to be identified, to include all natural persons with a controlling interest within the ownership structure of any lender.

Based on its preliminary review of the documents submitted, and representations made by the ARPA Parties, including by EDMC in the EDMC July 11 Response, the Department has concluded that control of the Institutions and DCF will not be concentrated in any person (or group of persons) who exerted control over EDMC, and that there is no other party that will financially benefit from the Institutions' operations.[4] As described above, other than the $10

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[2] The Department notes that the original Asset Purchase Agreement, dated January 18, 2017 ("APA"), included a purchase price of $100 million adjusted as provided for in the APA. See APA § 3.3.

[3] The ARPA Parties contemplate two closings due to the timing of accreditation approvals. The first closing will occur in September 2017. It will include the institutions accredited by the Southern Association for Colleges and Schools ("SACS"), WASC Senior College and University Commission ("WASC"), Northwest Commission on Colleges and Universities ("NWCCU"), and Accrediting Council for Independent Colleges and Schools ("ACICS"). The second closing will occur near the end of 2017, and it will include institutions accredited by the Higher Learning Commission ("HLC") and Middle States Association of Colleges and Schools ("Middle States"). *See* EDMC July 11 Response at 2. The Institutions have received approvals of the CIO from WASC and NWCCU. Although SACS has preliminarily approved the CIO, the final approval will not occur until December of this year. Middle States, citing insufficient information, deferred its decision.

[4] Many (if not all) of the campus level employees will continue under the new ownership. *See* EDMC July 11 Response.

million in Deferred Payments, the Transaction will be financed by Najafi, an entity unrelated to DCF and EDMC. *See* EDMC July 11 Response at p. 10. Neither Najafi nor any related person holds, or will hold a seat on any of the Institution's boards, or any entity in the Institution's ownership structure. *Id.* at p. 6. These conclusions are material to the Department's Preliminary Determination, and will need to be confirmed after the Transaction occurs when the Department conducts its final review of the requested conversion to nonprofit status. This review will also include a review of whether there is any control exercised by any party providing the working capital line of credit.

C. ACICS Institutions

The Accrediting Council for Independent Colleges and Schools ("ACICS") is the institutional accreditor for The Art Institute of Fort Lauderdale ("AI-FL") and The Art Institute of Phoenix ("AI-Ph"). On December 12, 2016, the Secretary withdrew ACICS's authority as a federally-recognized accrediting agency. Accordingly, AI-FL and AI-Ph do not presently have a recognized accreditor that can provide approval of the CIO as required by 34 C.F.R. § 600.20(h). To date, the Department has not approved CIO of ACICS-accredited institutions unless the transaction immediately resulted in the institution securing new accreditation.

EDMC has advised the Department that AI-FL and AI-Ph will be included in the first closing. EDMC July 11 Response at p. 2. The Department cautions the ARPA Parties that unless a new federally-recognized accrediting agency is in place to provide immediate accreditation upon the first closing, conveying the ACICS-accredited institutions during the first phase of the transaction would result in a loss of eligibility until those institutions obtain a new accrediting agency.

EDMC has further advised the Department that as part of the second closing, AI-FL and AI-Ph will merge into The Art Institute of Pittsburgh to secure non-ACICS accreditation through the Middle States Commission on Higher Education ("Middle States"). As noted above, there will be an immediate loss of eligibility if AI-FL and AI-Ph are conveyed in the first closing. In addition, if for some reason Middle States does not approve the merger of AI-FL and AI-Ph, those institutions will lose eligibility even if they are conveyed in the second closing.

To the extent that the term "Institutions" is used in this Preacquisition Response, it incorporates the limitations set forth in this section relating to AI-FL and AI-Ph.

D. The Department's Preliminary Determination

Based on the facts as described above, and with the exception noted above as to AI-FL and AI-Ph, the Department has not identified any known or present impediments to the CIO. However, although DCF has been in existence for two years to furnish audited financial statements (as required by 34 C.F.R. § 600(g)), neither DCF nor DCED Holdings have ever operated an educational institution participating in Title IV, HEA programs. Accordingly, the Department will impose conditions on the Institutions' provisional participation, as described below.

As stated above, the Department reviews a request for a nonprofit conversion in the context of the definition of nonprofit set forth in 34 C.F.R. § 600.2. Accordingly, the Department must review all three prongs of its nonprofit definition (*i.e.*, ownership by a nonprofit and no benefit to any other party, legally authorized to operate as a nonprofit under state law, and determined to be tax exempt by the IRS). DCF and DCED Holdings (and the subsidiaries which will be the Institutions' direct owners) have been organized as nonprofit corporations under the laws of the states of Arizona and California. Thus, the Institutions' ownership by various nonprofit entities satisfies the first clause of subsection (i) of the Department's definition of a nonprofit institution ("owned and operated by one or more nonprofit corporations or associations").

Although the Department has not identified any known or present impediments to the Institutions' requested conversion to nonprofit status, following the CIO, and as described herein, DCF will have to submit additional documentation and information to confirm the other elements of nonprofit status. In addition to providing all state and IRS approvals, DCF/DCED Holdings will need to establish that the Institutions' net income does not benefit any party other than the Institutions. The acquisition of the institutional assets will be financed by Najafi, and other than the two Deferred Payments of $5 million each (from the Institutions' first year cash flows), there is no continuing stream of income to EDMC. At this point, however, the Department has not been provided with any valuation or other information indicating the fairness of the $60 million purchase price which includes $10 million in Deferred Payments to EDMC (and retention of $25 million resulting from the working capital adjustment). Before finally approving the conversion, the Department will require DCF/DCED Holdings to submit evidence that the consideration set forth in the ARPA does not exceed the value of the assets being transferred resulting in impermissible benefit to another party.

In addition to reviewing the Transaction to confirm its Preliminary Determination that the payment of the purchase price (and attendant financing) does not result in the Institutions' net earnings inuring to the benefit of any person or entity other than the Institutions, the Department will require DCF/DCED Holdings to provide documentation of the fair value of the compensation paid to officers and other highly compensated employees of any entity in the ownership structure, and of the Institutions.

When it reaches its final decision on the nonprofit conversion, the Department will also need to confirm its Preliminary Determination that control is not concentrated in any person (or group of persons) who might benefit financially from the Institutions' operations. EDMC has provided the Department with a listing of the current EDMC institutional trustees (for those institutions with a board) and has identified the changes to the institutional boards after the closing, as well as a list and biographies of DCED Holdings' board of directors (including nominees for independent trustees/directors). EDMC July 11 Response, Exhibits K-1 and K-2. EDMC also provided a list of current DCF board members. EDMC July 11 Response, Exhibit K-3. EDMC has also stated that except for the Chancellor of South University, the interim President of the Art Institutes, the Chancellor of Argosy University, and the former EDMC Controller, "no other current senior officer or management employee will be employed by the Buyers or the Institutions post-closing." EDMC July 11 Response at p. 3.

The Department further notes that as the financing is currently structured, and as it has been represented to the Department, Najafi will have no control over any entity in the Institutions' ownership structure, including DCF and DCED Holdings. *Id.* at p. 6. In reaching its Preliminary Determination, the Department is presuming that the same will be true for the lenders providing the working capital line of credit.

DCF will also need to provide documentation that the IRS and the states in which the nonprofit entities are organized continue to recognize those entities' tax exempt status.

The Department's Preliminary Determinations with regard to the CIO and the Institutions' conversion to nonprofit status are specifically based on the following, which will constitute material conditions for issuance of a PPPA:

1. Approval of the CIO and nonprofit status by all of the Institutions' federally recognized accrediting agencies and all state agencies where the Institutions are located.

2. Notwithstanding any provisions to the contrary in any of the documents relating to the Transaction (including in the ARPA at §1.1 (definition of "Preacquisition Review Response") and at §6.2(a)), DCF/DCED Holdings' posting of a letter of credit ("LOC") during the period of provisional certification, as described below.

   NOTE: No later than 10 days prior to each closing, the ARPA Parties must provide the Department with a final list of the Institutions to be included in such closing so that the Department can notify the Institutions of the amount of the LOC that must be posted.

3. EDMC's prompt compliance with the accelerated payment provisions of the November 16, 2015 Settlement Agreement entered into between EDMC and the United States and others, as outlined in EDMC's July 11 Response at p. 1-2.

   NOTE: Within 10 days of this Preacquisition Review Response, EDMC shall provide the Department a more detailed explanation of the payment calculation for the accelerated payments, to include the impact of the working capital adjustment. *See Id.* at Exhibit I.

4. Other conditions as more fully described below.

II. UNINTERRUPTED PARTICIPATION IN THE TITLE IV PROGRAMS PRIOR TO EXECUTION OF THE PROVISIONAL PROGRAM PARTICIPATION AGREEMENT

A. Requirements within 10 days following the CIO

When a CIO occurs, the Department may continue the institution's participation on a provisional basis if the institution submits a "materially complete application" that is received by the Department no later than 10 business days after the date the change occurred. *See* 34 C.F.R. § 600.20(g). If a materially complete application is submitted, the Department may consider offering the Institutions (except for those accredited by ACICS) a Temporary Provisional Program Participation Agreement ("TPPPA"), pending the Department's and the Institution's execution of a new PPPA.

To submit a materially complete application (34 C.F.R. § 600.20(g)(2)), an institution must submit the following[5]:

		Status
1	Complete electronic Application for Approval to Participate in the Federal Student Aid programs;	The electronic application has been submitted for all Institutions. Miami International University of Art & Design will need to resubmit its application for a CIO once the change of affiliation is complete. Original signature pages will also need to be submitted for all Institutions.
2	Copy of the Institution's state licenses or equivalent that: a) Was in effect on the day before the CIO; and b) Authorized the Institution to provide a program of postsecondary education in the state(s) in which it is physically located;	The Department has this documentation on file.
3	Copy of the accrediting agency(ies) approval that: a) Was in effect on the day before the CIO and granted the Institution accreditation status; and b) Includes approval of the non-degree programs it offers;	The Department has this documentation on file.
4	Audited financial statements of the institution's two most recently completed fiscal years that are prepared in accordance with the requirements of 34 C.F.R. § 668.23. Under 34 C.F.R. § 668.23(d), these statements must be prepared on an accrual basis in accordance with generally accepted accounting principles ("GAAP"), and audited by an independent auditor in accordance with generally accepted government auditing standards ("GAGAS"); and	The Department has this documentation on file.
5	In accordance with 34 C.F.R. § 600.20(g)(2), a new owner is required to submit audited financial statements of its two most recently completed fiscal years that are prepared and audited in accordance with the requirements of 34 C.F.R. § 668.23(d), including statements prepared in accordance with GAAP and audited in accordance with GAGAS.	DCF submitted its audited financial statements on January 25, 2017. DCED Holdings has not been in existence for two years, nor does it appear that DCED Holdings can produce

[5] The Department has numbered each of the document requests sequentially to facilitate the ARPA Parties' response.

		audited financial statements that demonstrate any substantial business experience to date.

- **Letter of Credit.** In addition to the materially complete application, no later than 5:00 p.m. (Eastern) on the day that is 10 business days after the CIO, DCF/DCED Holdings must submit an LOC in the amount of 10% of the last fiscal year's Title IV funding for the Institutions that are conveyed in each closing; the amount may be increased once the Department reviews the same day balance sheet or other financial materials.

The Department will require DCF/DCED Holdings to maintain the LOC for the entirety of the period of the TPPPAs, and if the Department and the Institutions enter into Provisional Program Participation Agreements ("PPPAs"), DCF will be required to maintain the LOC (in such amount as determined by the Department, which may exceed 10%) for the entirety of the period of participation under the PPPAs.

B. Continuation of the TPPPA

In accordance with 34 C.F.R. § 600.20(h)(2)(iii), the TPPPA expires on the last day of the month following the month in which the CIO occurred. At the Department's discretion, the TPPPA may be extended on a month-to-month basis only if, prior to the expiration date, an institution submits:

		Status
6	A "same day" balance sheet showing the financial position of the Dream Center Foundation as of the date of the ownership change, that is prepared in accordance with GAAP and audited in accordance with GAGAS;	Please submit via eZ-Audit system.
7	Approval of the CIO from the state(s) in which the institution(s) are located by the state agency that authorizes the institution to legally provide postsecondary education in that state;	Please submit. In addition, must submit documentation of nonprofit status from all states in which the Institutions operate.
8	Approval of the CIO from the institution(s)'s accrediting agency(ies); and	Please submit. In addition, must submit the accrediting agencies' approval of the Institutions' conversion to nonprofit status.
9	If the Institution is not exempt from the requirement under 34 C.F.R. § 668.14(b)(15), a copy of its Default Management Plan.	Please submit (not exempt).

To the extent the above items have not already been provided, if the Institutions fail to provide them by the stated expiration date of the TPPPA, the TPPPAs will expire on that date, without further notice.

C. Additional Documents and Information Required for Department's Review

In addition to the foregoing documents, the ARPA Parties (no later than the period described in 34 C.F.R. § 600.20(h)(2)(iii)) must also submit the following documents and information for the Department to complete its review of the CIO and conversion to nonprofit status:

		Status
10	A copy of the agreement by which the CIO will be consummated, including any related documents or agreements;	• The executed ARPA has been submitted to the Department; • Please submit any amendments or modifications to, or restatements of, the ARPA and any related documents; and • Please submit a copy of the closing index for the Transaction.
11	All agreements and other documents relating to acquisition financing and line of credit; and The identity of all lenders for the acquisition financing and the line of credit.	• Please submit the final executed ED Holdings, LLC (Najafi) Credit Agreement and Related Documents; • Please submit the final executed documents for the Senior Secured Credit and Guaranty Agreement (or any other facility for the Working Capital Line of Credit), and related documents; • Please identify the members of ED Holdings, LLC, including the

		identity of all natural persons with controlling interests in such members or their ownership chain; and • Please identify the "Various Lenders" participating in the Senior Secured Credit and Guaranty Agreement, including the identity of all natural persons with controlling interests in any such Lender or within any Lender's ownership chain.
12	A copy of all documents pertaining to DC Management, including as appropriate, operating agreements, partnership agreements, company agreements, statements of work, performance metrics, etc.	A draft Services Agreement was provided to the Department as Exhibit E to the EDMC July 11 Response. The articles of incorporation were provided in Exhibit J. The Services Agreement references a statement of work which includes compensation information and performance metrics, but this documentation was not provided to the Department. This information must be provided.
13	Any agreements between any party to (or associated with) the Transaction and Significant Systems;	The WASC Structural Change Site Visit Report indicated this organization was brokering the Transaction. This information must be provided.
14	Agreements between any party to (or associated with) the	The Exclusivity Agreement

	Transaction and Lopes Capital;	dated November 11, 2016 indicates that Mr. Brent Richardson's company, Lopes Capital, has a financial relationship with the DCF. This information must be provided to the Department.
15	Copy of any agreement(s) between any of the Institutions and/or the any of the Buyers and any of the following: • the Sellers (or any related entity); • any entity that is owned by employees, officers and/or board members/trustees of any of the Sellers; or • any entity that is owned by employees, officers or board members/trustees of any of the Buyers; Agreements include, but are not limited to: consulting, employment, leasing, and management services agreements;	If agreements exist, please submit them; if no agreements exist, please confirm.
16	Correspondence and other documents relating to the Institutions' requests for approval of the CIO from their respective accrediting agencies;	Please submit any documents that have not previously been submitted to the Department.
17	Evidence that the consideration set forth in the ARPA does not exceed the value of the assets being transferred; and	Please submit support.
18	Evidence that compensation paid to officers and other highly compensated employees of the Institutions and any entity in the ownership structure is at market rates.	Please submit support.

The Department may also request additional documents as necessary to complete its review.

III. PPPA CONDITIONS FOLLOWING THE CIO

The Department has identified a number of conditions to be included in the Institutions' PPPAs in the event that the CIO is consummated. These conditions result from the Department's review of the materials provided to date, and it should be noted that conditions may be added to the PPPAs, or the conditions identified below may be modified, as a result of the Department's ongoing review of the CIO transaction and application.

Financial Responsibility and Administrative Capability Concerns. As stated above, the CIO will be accomplished pursuant to the terms of the ARPA whereby EDMC and its affiliates, the present owners of the Institutions, will be acquired by DCF, through various of subsidiaries of DCED Holdings (which is 100% owned by DCF). Although DCF has been in existence since 2008, DCED Holdings was formed on January 9, 2017 for purposes of this transaction. The Department further notes that DCED Holdings is not an operating business, DCF has primarily served as the funding arm of the Dream Center Organizations (primarily religious and charitable organizations), and neither DCF nor DCED Holdings have experience operating, or even investing in, Title IV institutions. However, EDMC has indicated that EDMC personnel employed at the campus level will generally remain in place following the CIO. EDMC July 11 Response at p. 3.

Acquisition of the Institutions will be financed by Najafi ($25 million), but $10 million in Deferred Payments over the first year will have to be generated from the Institutions' operations. Although EDMC has provided the Department with draft documents relating to DCF's plan for working capital for the Institutions' operations following the proposed CIO, DCF has not yet finalized that financing. In addition, the Institutions' composite scores have failed every year since 2006, and they get worse every year. In 2011, the Institutions were required to post a 15% LOC. The Institutions' declining enrollment is another factor that will affect their financial viability on an ongoing basis.

In addition to addressing DCF/DCED Holdings' lack of committed capital to ensure the ongoing financial responsibility and viability of the Institutions, the PPPA conditions set forth below are also designed to ameliorate operational and administrative capability risk. EDMC is a party to a November 2015 Settlement Agreement with the United States and a consortium of state (and District of Columbia) attorneys general wherein EDMC agreed to pay $95.5 million to settle claims brought against it in False Claims Act litigation, and to resolve a consumer fraud investigation by the attorneys general. These claims and investigations involved the incentive compensation ban, as well as deceptive and misleading recruitment practices. These claims and investigations suggest historical administrative and operational weaknesses that if not completely eradicated would put the Institutions at risk of loss of accreditation, state licensing, and/or continued Title IV funding. Any of those events could lead to closure of the Institutions and resulting closed school loan discharges.

Loss of Eligibility Concerns. As described above, AI-FL and AI-Ph are ACICS-accredited institutions that have not obtained a new federally-recognized accrediting agency to approve their acquisition by DCF/DCED Holdings. If AI-FL and AI-Ph are included in the first closing before they have obtained accreditation and approval of the acquisition by a new federally-recognized accrediting agency, those institutions will suffer an immediate loss of eligibility. In addition, if for some reason Middle States does not approve the merger of AI-FL and AI-Ph into The Art Institute of Pittsburgh, those institutions will lose eligibility even if they are conveyed in the second closing. If that happens, these institutions will not have time to secure new accreditation before June 12, 2018. This places students attending AI-FL and AI-Ph at significant risk. In the event new accreditation cannot be secured, the resulting closed school loan discharges would be significant.

The Conditions. If the CIO is consummated, the Department will consider issuing PPPAs to the Institutions under the following conditions. These conditions will be in effect for the duration of the period of the PPPAs:

A. Letter of Credit

- The amount of the LOC will be at least 10% of the past year's Title IV funding for the Institutions, determined on a pro-rata basis for the Institutions that are conveyed in each closing;

- Ten days prior to each closing, the ARPA Parties must submit a list of the Institutions being transferred in that closing to the MRFSPF so that the Department can calculate the amount of the LOC to be posted;

- The LOC must be posted no later than 5:00 p.m. (Eastern) on the tenth day following the closing of the Transaction to allow the conveyed Institutions to continue to participate under TPPPAs;

- After it completes its review of the Institutions' application for approval of the CIO, including its review of the same day balance sheet and any other relevant information, the Department may require the LOC to be increased to an amount greater than 10% as a condition of the PPPAs;

- Any increased LOC must be posted no later than 5:00 p.m. (Eastern) on the day that the Institutions submit the signed PPPAs to the Department for countersignature;

- The Department will require the LOC to be maintained for the entirety of the period of the PPPAs; and

- Further LOC instructions are provided at the end of this Preacquisition Response.

B. Financial Reporting

- For the Department to monitor the Institutions' financial stability, the Institutions must submit 13-Week Projected Cash Flow Statements which include information about their current operations and future plans within the 13 week period;

- The projected cash flow statements must break-out each anticipated inflow and outflow by line item and amount, with business and financial disclosure notes identifying the disaggregated sources of non-Title IV revenue, including from each additional federal agency, from states, and from private parties (as measured for 90/10), as well as any important financial transactions or contemplated transactions; and

- The cash flow statements must be submitted to the MRFSPD no later than the day the PPPAs are executed by the Secretary, and biweekly thereafter.

C. Enrollment Monitoring

- The Institutions must submit monthly student rosters to the MRFSPD that include enrollment information for both on-campus students and online students;

- The student rosters must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state & zip code), telephone number, email address, program of study, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated graduation date, current enrollment status (active, leave of absence), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state & zip code), name of the high school from which the student received his or her high school diploma, and high school graduation date; and

- This information must be submitted in Microsoft Excel format by the 15th day of every month for the preceding month, and should be sent by encrypted electronic transmission.

D. Notification of Changes to Servicing Agreements

The Institutions must notify the Department of any changes to the existing Service Agreements between DC Management and the Institutions. Changes to statements of work, performance metrics, subagreements, and/or DC Management board composition must be reported to the Department within 30 days. Additionally, if a new or amended agreement is signed or another entity assumes any of responsibilities associated with the functional components of the Institutions, this also must be reported to the Department.

IV. ADDITIONAL INFORMATION

Notice to the Department and Materially Complete Application. Once the CIO takes place (first and second closings), DCF/DCED Holdings must notify the Department within 10 business days and complete all requirements to submit a materially complete application. Since the Institutions have already submitted their electronic applications, please send this notification and the other documentation required for a materially complete application to Meghan.Coyle@ed.gov.

LOC Instructions. As stated above, the LOC must be posted no later than 10 business days following the CIO for the Institutions to participate under TPPPAs, and any increased LOC must be posted no later than 5:00 p.m. (Eastern) on the day the signed PPPAs are submitted to the Department for countersignature. A sample form of LOC is enclosed. The LOC must be issued by a United States bank, and should be delivered to:

Veronica Pickett, Director
Performance Improvement and Procedures Service Group
U.S. Department of Education
Federal Student Aid/Program Compliance
830 First Street, NE, UCP3, MS 5435
Washington, DC 20002-8019

Note: In the event that the financial institution issuing the LOC fails, resulting in financial transactions and operations being administered by the Federal Deposit Insurance Corporation, the Institutions are required to notify the MRFSPD within 3 business days of the Institutions' notification of such event. Within 10 business days thereafter, the Institutions must submit a new replacement LOC issued by a different and non-failed U.S. bank.

Continued 90/10 and Gainful Employment Reporting. Unless and until the conversion to nonprofit institution status is approved by the Department, the ARPA Parties are reminded that the Institutions must continue to report their Title IV revenue percentages ("90/10 percentages") and its gainful employment data. In addition, the Department's procedures require a proprietary institution converting to another status to report its 90/10 percentages in the first fiscal year following the approval of the conversion.

Contact. If you have any questions, please contact Meghan Coyle at Meghan.Coyle@ed.gov.

Sincerely,

(b)(6)

Michael Frola
Division Director

cc: Richard Them, Senior Vice President -Student Finance and Compliance, EDMC *(email: rthem@edmc.edu)*

Enclosure: Sample Letter of Credit

IRREVOCABLE LETTER OF CREDIT

<Insert name, address and telephone number of issuing bank.>

To beneficiary:
U.S. Department of Education
ATTN: Veronica Pickett, Director
Performance Improvement and Procedures Service Group
Federal Student Aid/Program Compliance
830 First Street, NE, UCP3, MS 5435
Washington, DC 20002-8019

Date: <Insert Date LOC Issued>
Amount: $ <Insert U.S. Dollar amount>
Expiration Date: See Below

Dear Sir/Madam:

We hereby establish our Irrevocable Letter of Credit Number <Insert LOC Number> in your favor for the account of:

<Insert Name and Address of Institution>
OPE-ID #: <Insert 8 digit Office of Postsecondary Education ID number>

Hereafter, <Insert Name of Institution> ("Institution"), presents, in the amount of $ <Insert Dollar Amount> (U.S. dollars), available by your draft (or drafts drawn on us) at sight accompanied by:

a) the original of this letter of credit instrument (along with originals of all amendments), and
b) a statement signed by the Secretary ("Secretary"), U.S. Department of Education ("Department"), or the Secretary's representative, certifying that the drafted funds will be used for one or more of the following purposes, as determined by the Secretary:

    1) to pay refunds of institutional or non-institutional charges owed to or on behalf of current or former students of the Institution, whether the Institution remains open or has closed;

    2) to provide for the "teach-out" of students enrolled at the time of the closure of the Institution; or

3) to pay any fines, penalties, or liabilities whatsoever owing to the Secretary arising from the Institution's participation in programs authorized under Title IV of the Higher Education Act of 1965, as amended ("HEA"), including, without limitation, the violation of any agreement entered into by the Institution with the Secretary regarding the administration of programs under Title IV of the HEA and any liability owed to the Secretary pursuant to Sections 437 and 455(h) of the HEA, 20 U.S.C. §§ 1087(c), 1087e(h), or any regulation promulgated thereunder.

As used herein, the term "teach-out" shall include all activities conducted pursuant to a "teach out agreement," as that term is defined in 34 C.F.R. § 602.3, and/or other services designed to facilitate the transition of such students to another educational program. Should the Institution fail to renew the letter of credit within ten (10) days prior to its expiration, as directed by the Department, the Department may call the letter of credit and place the funds in an escrow account at the Department pending a prompt determination of the extent to which those funds will be used in accordance with subparagraphs (b)(1) through (b)(3), above.

We hereby agree with you that partial drawings are permitted and that drafts drawn under and in compliance with the terms of this letter of credit will be duly honored upon due presentation at our offices on or before the expiration date of this letter of credit.

This letter of credit is subject to the International Standby Practices (ISP98), International Chamber of Commerce Publication Number 590.

Printed Legal Name Authorized Signature Date Signed

Printed Official Title of Authorized Signer

May 14, 2018

Sent via email and by overnight mail

Mr. Brent Richardson
Chief Executive Officer
Dream Center Education Holdings, LLC
7135 East Camelback Road
Phoenix, Arizona 85251

Re: Response to Dream Center Education Holdings LLC, May 1, 2018 letter

Dear Mr. Richardson:

I am writing in response to your May 1, 2018 letter ("Letter"). The Letter outlines various changes and improvements undertaken by Dream Center Education Holdings, LLC ("DCEH") since its acquisition of various institutions formerly owned by Education Management Corporation ("EDMC"). The Letter also requested that the Department eliminate or reduce the Letter of Credit ("LOC") condition contained in the Department's September 12, 2017 response to the Institution's preacquisition review application of the change in ownership ("Preacquisition Response").

The Preaquisition Response required DCEH to post an LOC in the amount of 10% of the last fiscal year's Title IV funding for the institutions it was acquiring, and noted that the amount could be increased once the Department reviews the same day balance sheets or other financial materials. On October 4, 2017, following a September 28th meeting with EDMC and DCEH officials about the LOC requirement and other issues, the Department issued a letter supplementing the Preacquisition Response ("Supplement"). The Supplement modified the LOC condition, including by allowing the condition to be satisfied by keeping the existing EDMC LOCs in place until May 31, 2018. Soon thereafter, EDMC asked the Department to reconsider its calculation of the LOC amounts and to exclude from the LOC calculations the amounts of Title IV funding it disbursed to students attending EDMC locations that were sold to a party other than DCEH or which had been disbursed to students attending locations that had been or were to be closed and were not being conveyed to DCEH ("Non-DCF Institutions"). The Department agreed and issued an Amendment on October 5, 2017 ("Amendment"). As a result of the Supplement and the Amendment, the LOC requirement was reduced from $194,040,141 to $107,509,133, or by approximately $86.5 million.

The Amendment required DCEH and EDMC to extend the LOCs on file or provide new LOCs by May 1, 2018. The Amendment also stated that if the parties failed to post new or extended LOCs by May 1, 2018, the Department would draw down on the LOCs on file. On April 20, 2018, DCEH requested an extension of the deadline for providing the LOCs until May 18, 2018. The Department granted this extension request on April 25, 2018.

The Department has reconsidered and negotiated the LOC requirement contained in the Preacquisition Response several times and will not at this time release or further reduce the LOC requirement. Before the Department will consider any additional reduction or elimination of the LOC requirement, it must receive a full year of audited financial statements for DCEH and its parent company, the Dream Center Foundation ("DCF"). DCEH has a December 31st fiscal year end date, so the first full year of audited financial statements will be for the period of January 1, 2018 through December 31, 2018.

The Department must receive either a new or amended irrevocable letter of credit from your lending institution by May 17, 2018. If DCEH/DCF and/or EDMC fail to post and/or extend the LOCs by May 17, 2018, the Department will draw down the full amount of $107,509,133 on the LOCs on file on May 18, 2018.

If you have any questions, please contact Michael Frola at Michael.Frola@ed.gov.

Sincerely,

(b)(6)

James F. Manning
Delegated the Authority to Perform
the Function and Duties of the Under Secretary

cc: Michael Frola, Division Director, Multi-Regional and Foreign Schools Participation Division (email: michael.frola@ed.gov)
Tara Sikora, Case Manager, Multi-Regional and Foreign Schools Participation Division (email: tara.sikora@ed.gov)
Shelly Murphy, Chief Officer Regulatory and Government Affairs, Dream Center Education Holdings, LLC (email: smurphy@dcedh.org)

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From:	Frola, Michael
To:	Them, Richard
Cc:	Coyle, Meghan; Arthur, Julie; Sikora, Tara
Subject:	EDMC Request of Additional Information
Date:	Tuesday, June 27, 2017 10:32:34 AM
Attachments:	EDMC Request for Additional Information 6.27.17.pdf image001.png

Hi Richard,

Please see attached letter requesting additional information on the proposed change in ownership.

Thanks,

Mike

Michael Frola
Director
Multi-Regional and Foreign School Participation Division
Office: (202) 377-3364
michael.frola@ed.gov
StudentAid.gov

From:	Arthur, Julie
To:	Frola, Michael
Cc:	Harvey, Margery
Subject:	FW: EDMC Request of Additional Information
Date:	Monday, May 14, 2018 8:31:51 PM
Attachments:	image001.png

Mike,

Can you send me the e-mail below (highlighted) that has the attachment asking for more information from EDMC? We need it for a FOIA and I don't seem to have it.

Julie

From: Coyle, Meghan
Sent: Thursday, July 06, 2017 7:17 AM
To: 'Them, Richard'; Frola, Michael
Cc: Arthur, Julie; Sikora, Tara
Subject: RE: EDMC Request of Additional Information

Richard,

Unfortunately, I am not able to access sites such as DropBox due to ED's rather restrictive firewall. Please reduce the file size by spreading across multiple emails. I will confirm receipt of every email, so if you do not hear from me, it likely means the file didn't transmit.

-Meghan

From: Them, Richard [mailto:rthem@edmc.edu]
Sent: Thursday, July 6, 2017 8:49 AM
To: Frola, Michael
Cc: Coyle, Meghan; Arthur, Julie; Sikora, Tara
Subject: RE: EDMC Request of Additional Information

Hi Mike and Meghan

As we were re reviewing this request, I have been told that item 8 may require us to provide over a 1000 pages of documents.
(some of it would be duplicated since we would be submitting the same back-up for each institution).

We will do so however we wanted to know if the Department of Education has the means to accept large files using
something like drop box or do you wish multiple emails with attachments.

Thanks

Richard

From: Frola, Michael [mailto:Michael.Frola@ed.gov]
Sent: Tuesday, June 27, 2017 10:33 AM
To: Them, Richard
Cc: Coyle, Meghan; Arthur, Julie; Sikora, Tara
Subject: EDMC Request of Additional Information

Hi Richard,

Please see attached letter requesting additional information on the proposed change in ownership.

Thanks,

Mike

Michael Frola
Director
Multi-Regional and Foreign School Participation Division
Office: (202) 377-3364
michael.frola@ed.gov
StudentAid.gov

From:	Mangold, Donna
To:	Frola, Michael; Coyle, Meghan; Arthur, Julie; Sikora, Tara
Cc:	Minor, Robin; Bennett, Ron; Finley, Steve; Brinton, Jed
Subject:	EDMC - Dream Center - Preacq letter
Date:	Monday, September 11, 2017 10:48:12 AM
Attachments:	Dream Center Acquisition of EDMC Institutions - Pre-Acq Letter 09.08.17 (OGC Final).docx Dream Center Acquisition of EDMC Institutions - Pre-Acq Letter 09.08.17 (OGC Final- REDLINE).docx

---

I have attached the clean and redline OGC finals of the letter (only the clean is dated on the document). UPS info still needs to be inserted, and there are still some formatting issues (spaces between paragraphs) that I have not been able to fix.

The redline compares the Final document to the document that I circulated on Thursday afternoon. The changes (other than non-substantive ones) result from having received new information over the past few days about the amount of the Najafi financing and draft documents relating to the line of credit. I deleted the footnote about the (b)(5) [redacted]

(b)(5) [redacted]

I will review the Q&A/fact sheet next.

Do we have any update on whether FSA intends to release the preacq letter in response to third party/press inquiries?

From:	Frola, Michael
To:	Finley, Steve; Urwitz, Jay; Arthur, Julie; Coyle, Meghan; Sikora, Tara; Hill, Tiffany
Cc:	Hill, Tiffany
Subject:	EDMC CIO - Dream Center
Date:	Tuesday, February 14, 2017 2:12:22 PM

Financial information for our meeting at 3:00 PM today. –Mike

From: Hill, Tiffany
Sent: Tuesday, February 14, 2017 10:58 AM
To: Frola, Michael
Subject: RE: Follow-up as we agreed

Hi Mike,

I spoke with Rhonda as well to get her opinion on the (b)(5) [redacted] (b)(5) [redacted] During our conversation we also noted some questions we had.

(b)(5) [redacted]

From: Frola, Michael
Sent: Monday, February 13, 2017 3:25 PM
To: Hill, Tiffany
Subject: FW: Follow-up as we agreed

Hi Tiffany,

Please score Dream Centers financials for tomorrows meeting. (b)(5) [redacted] (b)(5) [redacted] receivable should be treated as related party receivable.

Thanks,

Mike

From: Them, Richard [mailto:richard.them@edmc.edu]
Sent: Wednesday, January 25, 2017 6:35 PM
To: Frola, Michael
Cc: Ronald L . Holt (RHolt@dunndavison.com); Hylden, Tom; Finley, Steve
Subject: Follow-up as we agreed

Good evening Mike

In response to your request in in our conversation last Thursday to review certain documents related to the EDMC-Dream Center Foundation transaction prior to the affected institutions' submitting pre-acquisition review applications, attached please find copies of:

- the executed Asset Purchase Agreement;
- DCF's FYE 2014 and 2015 audited financial statements; and
- pre- and post-closing ownership charts for Ai-Houston.

Schedule C to the APA lists the EDMC campuses that DCF would acquire and that would thereby become nonprofit institutions. They consist of Argosy University (OPE ID 02179900), South University (OPE ID 01303900), and the main campuses and additional locations of The Art Institutes that are not currently in teach-out (affecting OPE IDs 00927000, 02078900, 01019500, 02117100, 00835000, 04051300, 00747000, 00781900, 02291300, 01258400, and 00887800).

Because of the number of OPEIDs and the resulting complexity of a pre- and post-closing ownership chart for the entire transaction, I thought it appropriate to include, at least for now, only the pre- and post-closing ownership charts for The Art Institute of Houston (OPE ID 02117100), so you can review and confirm that this contains the information you seek. We can quickly provide pre- and post-closing charts for the remaining institutions after hearing back from you as to the form and content of the ones attached. The other charts will be identical for the ownership structure above the Argosy, South, and Art Institute International level, but differ in the subsidiaries between those entities and the individual institutions.

I look forward to discussing how we proceed from here following your review of this documentation. We will be prepared to begin submitting pre-acquisition review applications for each of the institutions following your giving us the go-ahead. Additionally, EDMC's and DCF's regulatory counsel (Tom Hylden and Ron Holt, respectively) would also like to confer with Steve Finley and you regarding pre-acquisition confirmation of certain regulatory aspects of the transaction, such as DCF audited financial statements being reviewed for the requirement of buyer financial statements and related questions about letters of credit and nonprofit treatment of the institutions (and what further documentation the Department will need to review in connection with that determination) following the acquisition. To that end, and to keep everyone in the loop, I am copying Tom, Ron, and Steve on this e-mail.

I look forward to speaking with you soon as to next steps. If you need anything further at this time, please do not hesitate to let me know.

Richard

Senior Vice President, EDMC

412-606-2442

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for any damage caused by any virus transmitted by this email.

From:	Smith, Joseph
To:	Frola, Michael; Sikora, Tara; Allred, Michelle; Arthur, Julie; Coyle, Meghan
Subject:	EDMC / Dream Center in the press
Date:	Friday, March 03, 2017 5:11:13 PM

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https://www.insidehighered.com/news/2017/03/03/large-profit-chain-edmc-be-bought-dream-center-missionary-group

From:	Scott, Byron
To:	Eldred, Jane; Mecca, Shari; Powers, Michael E.; Sikora, Tara
Cc:	Smith, Joseph; Frola, Michael; Allred, Michelle; Arthur, Julie
Subject:	EDMC and Dream Center
Date:	Tuesday, March 07, 2017 9:29:41 AM

Guessing you may have seen this already, but the news is out - https://www.insidehighered.com/news/2017/03/06/large-profit-chain-edmc-be-bought-dream-center-missionary-group
I found this from the NASFAA clips.

Byron

From:	Urwitz, Jay
To:	Coyle, Meghan; Mangold, Donna; Frola, Michael; Finley, Steve; Sikora, Tara; Arthur, Julie
Cc:	Allred, Michelle
Subject:	RE: EDMC - DCF Transaction
Date:	Wednesday, March 22, 2017 10:06:07 AM
Attachments:	image001.gif

(b)(5) [redacted]

Jay

Jay P. Urwitz
Deputy General Counsel
United States Department of Education
Jay.urwitz@ed.gov
202-453-6862

From: Coyle, Meghan
Sent: Wednesday, March 22, 2017 9:59 AM
To: Mangold, Donna; Frola, Michael; Finley, Steve; Sikora, Tara; Arthur, Julie
Cc: Allred, Michelle; Urwitz, Jay
Subject: RE: EDMC - DCF Transaction

They have only provided documents 7 & 8 that were part of list we sent February 17th. (It's pasted below.) I was holding off on circulating the documents until we had a complete submission.

(b)(5) [redacted]

-Meghan

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.

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.

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

(b)(5)

Thanks,
Mike

From: Ronald L. Holt [mailto:rholt@dfrglaw.com]
Sent: Tuesday, March 21, 2017 7:24 PM
To: Finley, Steve
Cc: Hylden, Tom (Tom.Hylden@PowersLaw.com); Beller, Sean (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

rholt@dfrglaw.com | Direct: (816) 292-7604 | Cell: (816) 509-5194 | Phone: (913) 387-1600 | Fax: (913) 928-6739

1100 Walnut Street, Suite 2900
Kansas City, Missouri 64106
www.dfrglaw.com

From:	Mangold, Donna
To:	Frola, Michael; Sikora, Tara; Arthur, Julie; Dossa, Shein
Cc:	Finley, Steve
Subject:	RE: Dream Center Follow-up to the 3.7.18 Documentation Request updated 5.10.18
Date:	Thursday, May 10, 2018 3:34:21 PM

No on John P

Sent from my Verizon 4G LTE smartphone

-------- Original message --------
From: "Frola, Michael"
Date: 5/10/18 3:29 PM (GMT-05:00)
To: "Sikora, Tara" , "Arthur, Julie" , "Dossa, Shein"
Cc: "Mangold, Donna" , "Finley, Steve"
Subject: RE: Dream Center Follow-up to the 3.7.18 Documentation Request updated 5.10.18

Thanks for the letter. Have we heard back from John Przypyszny about the extension?

From: Sikora, Tara
Sent: Thursday, May 10, 2018 3:27 PM
To: Frola, Michael; Arthur, Julie; Dossa, Shein
Cc: Mangold, Donna; Finley, Steve
Subject: Dream Center Follow-up to the 3.7.18 Documentation Request updated 5.10.18

Hi Mike,

Please see the attached Dream Center documentation request that Donna and I have been working on. Please review and let me know if you have any questions, comments or edits.

(b)(5) [redacted]

Thank you,
Tara

From:	Coyle, Meghan
To:	Arthur, Julie
Subject:	FW: EDMC CIP code changes
Date:	Monday, May 15, 2017 2:47:23 PM
Attachments:	image001.png

Julie,

This is where the CIP code issue landed a couple of years ago.

-Meghan

From: Frola, Michael
Sent: Friday, August 7, 2015 12:13 PM
To: Gladden, Meghan
Cc: Smith, Joseph
Subject: RE: EDMC CIP code changes

(b)(5)

From: Gladden, Meghan
Sent: Friday, August 07, 2015 12:04 PM
To: Frola, Michael
Cc: Smith, Joseph
Subject: RE: EDMC CIP code changes

(b)(5)

From: Frola, Michael
Sent: Friday, August 07, 2015 11:53 AM
To: Hammond, Cynthia
Cc: Smith, Joseph; Gladden, Meghan
Subject: RE: EDMC CIP code changes

Thanks Cynthia for the quick response. We will advise EDMC accordingly and make it part of our approval letter. –Mike

From: Hammond, Cynthia
Sent: Friday, August 07, 2015 11:22 AM
To: Frola, Michael
Cc: Smith, Joseph; Gladden, Meghan
Subject: RE: EDMC CIP code changes

(b)(5)

From: Frola, Michael
Sent: Friday, August 07, 2015 10:51 AM
To: Hammond, Cynthia
Cc: Smith, Joseph; Frola, Michael; Gladden, Meghan
Subject: EDMC CIP code changes

Hi Cynthia,

(b)(5)

(b)(5)

[redacted]

Thanks,
Mike

Michael Frola
Director
Multi-Regional and Foreign School Participation Division
Office: (202) 377-3364
michael.frola@ed.gov
StudentAid.gov

Harvey, Margery

From:	Bennett, Ron
Sent:	Friday, May 19, 2017 3:15 PM
To:	Arthur, Julie
Cc:	Frola, Michael; Sikora, Tara; Coyle, Meghan
Subject:	RE: EDMC-The Dream Center Foundation

Thanks, Julie!

From: Arthur, Julie
Sent: Friday, May 19, 2017 3:13 PM
To: Bennett, Ron
Cc: Frola, Michael; Sikora, Tara; Coyle, Meghan
Subject: FW: EDMC-The Dream Center Foundation

Ron,

Here is our draft response for your use. I've also attached a couple of paragraphs that Meghan drafted earlier related to this transaction. We used some of the wording in the response below; there may be more there that you want to use.

If you want the response in a different format, let me know and I'll reformat it.

Julie

From: Bennett, Ron
Sent: Wednesday, May 17, 2017 4:04 AM
To: Frola, Michael; Arthur, Julie
Subject: Fwd: EDMC-The Dream Center Foundation

(b)(5) [redacted]

(b)(5) [redacted]

Ron Bennett, Director
School Eligibility Service Group
Program Compliance
Federal Student Aid
202-377-3181

Begin forwarded message:

> **From:** "COLEMON, WILLIAM, VBAATLD" <william.colemon@va.gov>
> **Date:** May 15, 2017 at 9:09:13 AM EDT
> **To:** "Vanessa.Dillard@ed.gov" <Vanessa.Dillard@ed.gov>
> **Cc:** "Ron.Bennett@ed.gov" <Ron.Bennett@ed.gov>
> **Subject: EDMC-The Dream Center Foundation**

Good morning,

Could one you be able to provide me with some particulars on the sale of EDMC to Dream Center Foundation.

(b)(5)

Thank you in advance for any information you can provide.

William P. Colemon

GI Bill Integrity & Protection Team (223A)
Education Service (22)
Veterans Benefits Administration
Office: (404) 929-3058
William.Colemon@va.gov

"Be the change that you wish to see in the world."
Gandhi

From:	Sikora, Tara
To:	Coyle, Meghan; Dossa, Shein; Lawrence, Andrew; Logan, Chartise; Palmer, Raenalda
Cc:	Arthur, Julie
Subject:	EDMC - Updating addresses rather than closing locations properly?
Date:	Friday, May 26, 2017 10:03:57 AM

Hello eligibility specialists,

(b)(5) [redacted]

Thank you,

Tara

From: Coyle, Meghan
Sent: Thursday, May 18, 2017 11:05 AM
To: Sikora, Tara
Subject: RE: Stark State College, 01088100, Additional Location from previously eligible institution and currently eligible institution

Tara,

(b)(5) [redacted]

(b)(5)

[redacted]

I hope this information is helpful.

-Meghan

From:	Lawrence, Andrew
To:	Arthur, Julie; Logan, Chartise; Sikora, Tara; Coyle, Meghan; Dossa, Shein; Palmer, Raenalda
Subject:	FW: EDMC - Akron Change of Address
Date:	Friday, May 26, 2017 11:06:50 AM
Importance:	High

Here is the email I sent to EDMC.

Andrew

From: Lawrence, Andrew
Sent: Thursday, December 22, 2016 11:03 AM
To: 'Beller, Sean'; Dossa, Shein
Cc: Hylden, Tom; Them, Richard <richard.them@edmc.edu> (richard.them@edmc.edu)
Subject: RE: EDMC - Akron Change of Address

Good morning Sean,

In view of the fact that students in the OTA and Vet Tech programs moved to the address of a currently eligible location on your ECAR (04051336), to approve this as an address change would result in 2 OPEIDS at the same address and it was communicated to us that it is not your intention to have 2 different OPEIDS. Also, because other programs that were previously taught at the "old" location were discontinued and those students had to transfer to other locations, we would treat this as a closure instead of an address change. Therefore, I am advising you to enter an end date for location 04051308 in Section F of the application. Please let me know if you have any questions.

Thanks.

Andrew

From: Bennett, Ron
To: Frola, Michael; Arthur, Julie
Subject: Fwd: EDMC-The Dream Center Foundation
Date: Wednesday, May 17, 2017 7:03:32 AM

Need your help in answering below which we have to be somewhat careful with. (b)(5) [redacted]

(b)(5) [redacted]

Ron Bennett, Director
School Eligibility Service Group
Program Compliance
Federal Student Aid
202-377-3181

Begin forwarded message:

> **From:** "COLEMON, WILLIAM, VBAATLD" <william.colemon@va.gov>
> **Date:** May 15, 2017 at 9:09:13 AM EDT
> **To:** "Vanessa.Dillard@ed.gov" <Vanessa.Dillard@ed.gov>
> **Cc:** "Ron.Bennett@ed.gov" <Ron.Bennett@ed.gov>
> **Subject: EDMC-The Dream Center Foundation**
>
> Good morning,
>
> (b)(5) [redacted]
>
> William P. Colemon
> GI Bill Integrity & Protection Team (223A)
> Education Service (22)
> Veterans Benefits Administration
> Office: (404) 929-3058
> William.Colemon@va.gov
>
> **"Be the change that you wish to see in the world."**
> **Gandhi**

From:	Sikora, Tara
To:	Arthur, Julie
Cc:	Coyle, Meghan
Subject:	FW: EDMC Closings
Date:	Monday, June 19, 2017 12:37:43 PM
Attachments:	Art Institute of Phoenix (The) - Brown Mackie College - N. Kentucky .04051309. Additional Information Request on Closed Location (3).docx Art Institute of Phoenix (The) - Brown Mackie College - Miami-Biscayne .04051344. Additional Information Request on Closed Location (3).docx Art Institute of Phoenix (The) - Brown Mackie College - Akron .04051308. Additional Information Request on Closed Location.docx Art Institute of Atlanta (The) - Art Institute of Decatur OPEID.00927005. Additional Information Request on Closed Location.docx Illinois Institute of Art (The) - The Art Institute of Michigan TroyOPEID.01258408. Additional Information Request on Closed Location.docx South University - The Art Institute of Fort Worth.01303914. Additional Information Request on Closed Location.docx Argosy University - The Art Institute of California - Silicon Valley.02179939. Additional Information Request on Closed Location.docx image001.png

Hi Julie,

(b)(5) [redacted]

Thanks,

Tara

From: Logan, Chartise
Sent: Wednesday, June 14, 2017 3:58 PM
To: Coyle, Meghan
Cc: Sikora, Tara
Subject: FW: EDMC Closings

Hey,

I'm in receipt of the questionnaires and I'm ready to process them out of PEPS. (b)(5) [redacted]

(b)(5) [redacted]

Thanks,

Chartise Logan

Institutional Review Specialist

Multi-Regional and Foreign Schools Participation Division

Federal Student Aid

Office: (202) 377-3640

Chartise.logan@ed.gov

StudentAid.gov

Stress Strategy # 10

Maintain a positive attitude (and avoid those without one). Negativism sucks the energy and motivation out of any situation, so avoid it whenever possible. Instead, develop a positive attitude-and learn to reward yourself for little accomplishments (even if no one else does). ☺

From: Miller, Lia [mailto:lmmiller@edmc.edu]
Sent: Monday, June 05, 2017 3:45 PM
To: Logan, Chartise
Cc: Them, Richard
Subject: FW: EDMC Closings

Hello

I apologize for the delay. Attached are the completed forms.

Thanks.

Lia Miller
EDMC - Student Finance & Compliance
Business Analyst II
PH: 412-995-7416
Fax: 412-995-7553
lmmiller@edmc.edu

From: Logan, Chartise [mailto:Chartise.Logan@ed.gov]
Sent: Wednesday, May 17, 2017 11:25 AM
To: Miller, Lia
Cc: Them, Richard
Subject: EDMC Closings

Good Morning,

Please complete the attached questionnaires' for the referenced closed locations.

Thanks,

C. Logan

From: Sikora, Tara
To: Arthur, Julie
Subject: RE: EDMC - Akron Change of Address/White Pond
Date: Monday, June 19, 2017 2:07:56 PM

Thanks, she was also copied on the email to the school.

From: Arthur, Julie
Sent: Monday, June 19, 2017 2:06 PM
To: Sikora, Tara; Dossa, Shein
Cc: Coyle, Meghan
Subject: RE: EDMC - Akron Change of Address/White Pond

+Meghan

Just adding to the avalanche of e-mails in Meghan's box for her return.

From: Sikora, Tara
Sent: Monday, June 19, 2017 10:07 AM
To: Dossa, Shein; Arthur, Julie
Subject: RE: EDMC - Akron Change of Address/White Pond

Thanks Shein.

I emailed EDMC to let them know that it is open and asked them to make the appropriate changes.

Tara

From: Dossa, Shein
Sent: Monday, June 19, 2017 12:41 PM
To: Arthur, Julie; Sikora, Tara
Subject: RE: EDMC - Akron Change of Address/White Pond

Hi Tara,

E-app is open. It will remain open until 06/24/2017.

Shein

From: Arthur, Julie
Sent: Monday, June 19, 2017 12:35 PM
To: Sikora, Tara; Dossa, Shein; Coyle, Meghan; Lawrence, Andrew; Logan, Chartise; Palmer, Raenalda
Subject: RE: EDMC - Akron Change of Address/White Pond

Shein can open the application. (b)(5) [redacted]

Shein—would you let Tara know after you open the application?

Thanks,

Julie

From: Sikora, Tara
Sent: Monday, June 19, 2017 9:26 AM
To: Arthur, Julie; Dossa, Shein; Coyle, Meghan; Lawrence, Andrew; Logan, Chartise; Palmer, Raenalda
Subject: RE: EDMC - Akron Change of Address/White Pond

Hi Julie,

(b)(5) [redacted]

Thanks,

Tara

From: Arthur, Julie
Sent: Monday, June 19, 2017 10:38 AM
To: Dossa, Shein; Coyle, Meghan; Lawrence, Andrew; Logan, Chartise; Sikora, Tara; Palmer, Raenalda
Subject: RE: EDMC - Akron Change of Address/White Pond

(b)(5)

Julie

From: Dossa, Shein
Sent: Friday, May 26, 2017 8:24 AM
To: Coyle, Meghan; Lawrence, Andrew; Arthur, Julie; Logan, Chartise; Sikora, Tara; Palmer, Raenalda
Subject: RE: EDMC - Akron Change of Address

Just in case you have not seen the email string on how this all got started.

From: Coyle, Meghan
Sent: Friday, May 26, 2017 11:19 AM
To: Lawrence, Andrew; Arthur, Julie; Logan, Chartise; Sikora, Tara; Dossa, Shein; Palmer, Raenalda
Subject: RE: EDMC - Akron Change of Address

(b)(5)

-Meghan

From: Lawrence, Andrew
Sent: Friday, May 26, 2017 11:07 AM
To: Arthur, Julie; Logan, Chartise; Sikora, Tara; Coyle, Meghan; Dossa, Shein; Palmer, Raenalda
Subject: FW: EDMC - Akron Change of Address
Importance: High

Here is the email I sent to EDMC.

Andrew

From: Lawrence, Andrew
Sent: Thursday, December 22, 2016 11:03 AM
To: 'Beller, Sean'; Dossa, Shein
Cc: Hylden, Tom; Them, Richard <richard.them@edmc.edu> (richard.them@edmc.edu)
Subject: RE: EDMC - Akron Change of Address

Good morning Sean,

In view of the fact that students in the OTA and Vet Tech programs moved to the address of a currently eligible location on your ECAR (04051336), to approve this as an address change would result in 2 OPEIDS at the same address and it was communicated to us that it is not your intention to have 2 different OPEIDS. Also, because other programs that were previously taught at the "old" location were discontinued and those students had to transfer to other locations, we would treat this as a closure instead of an address change. Therefore, I am advising you to enter an end date for location 04051308 in Section F of the application. Please let me know if you have any questions.

Thanks.

Andrew

From:	Dossa, Shein
To:	Sikora, Tara; Arthur, Julie
Subject:	FW: EDMC Request for Additional Information - attorney client confidential communication
Date:	Tuesday, June 20, 2017 11:11:29 AM

(b)(5) [redacted]

From: Frola, Michael
Sent: Monday, June 19, 2017 3:44 PM
To: Dossa, Shein
Subject: FW: EDMC Request for Additional Information - attorney client confidential communication

(b)(5) [redacted]

From: Frola, Michael
Sent: Friday, June 16, 2017 11:51 AM
To: Coyle, Meghan
Subject: FW: EDMC Request for Additional Information - attorney client confidential communication

FYI.

From: Minor, Robin
Sent: Friday, June 16, 2017 11:06 AM
To: Frola, Michael
Cc: Bennett, Ron
Subject: RE: EDMC Request for Additional Information - attorney client confidential communication

(b)(5) [redacted]

From: Frola, Michael
Sent: Friday, June 16, 2017 11:00 AM
To: Minor, Robin
Cc: Bennett, Ron
Subject: FW: EDMC Request for Additional Information - attorney client confidential communication

Hi Robin,

(b)(5) [redacted]

Thanks,

Mike

From: Coyle, Meghan
Sent: Friday, June 16, 2017 9:44 AM
To: Frola, Michael
Cc: Dossa, Shein; Mangold, Donna; Finley, Steve; Arthur, Julie
Subject: EDMC Request for Additional Information - attorney client confidential communication

Mike,

(b)(5) [redacted]

-Meghan

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

From:	Arthur, Julie
To:	Harvey, Margery
Subject:	FW: EDMC Request of Additional Information
Date:	Monday, May 14, 2018 8:32:54 PM
Attachments:	image001.png

For the FOIA.

From: Johnson, Michelle
Sent: Friday, July 07, 2017 11:26 AM
To: Them, Richard; Coyle, Meghan; Frola, Michael
Cc: Arthur, Julie; Sikora, Tara
Subject: RE: EDMC Request of Additional Information

Good afternoon, Richard,

I will be teleworking on Tuesday, but will be at the office on Monday and Wednesday of next week. My office phone number is (202) 377-3983; my remote telephone number is (b)(6) (b)(6)

--Michelle

From: Them, Richard [mailto:rthem@edmc.edu]
Sent: Friday, July 07, 2017 2:06 PM
To: Coyle, Meghan; Frola, Michael
Cc: Arthur, Julie; Sikora, Tara; Johnson, Michelle
Subject: RE: EDMC Request of Additional Information

It would be great if we had Michelle's number (and exact location) so that our firm can call ahead on Tuesday and bring the thumb drive by.

Thanks

Richard

From: Coyle, Meghan [mailto:Meghan.Coyle@ed.gov]
Sent: Friday, July 07, 2017 12:42 PM
To: Them, Richard; Frola, Michael
Cc: Arthur, Julie; Sikora, Tara; Johnson, Michelle
Subject: RE: EDMC Request of Additional Information

Richard,

Michelle Johnson is able to accept submissions via thumb drive. Please send the files to her attention, and she will make the documents available to others.

Her mailing address is:

Michelle Johnson

U.S. Department of Education
Federal Student Aid
830 First Street NE
Washington, DC 20202

Thank you,

Meghan

From: Them, Richard [mailto:rthem@edmc.edu]
Sent: Thursday, July 6, 2017 11:01 AM
To: Coyle, Meghan; Frola, Michael
Cc: Arthur, Julie; Sikora, Tara
Subject: RE: EDMC Request of Additional Information

Thanks

From: Coyle, Meghan [mailto:Meghan.Coyle@ed.gov]
Sent: Thursday, July 06, 2017 10:17 AM
To: Them, Richard; Frola, Michael
Cc: Arthur, Julie; Sikora, Tara
Subject: RE: EDMC Request of Additional Information

Richard,

Unfortunately, I am not able to access sites such as DropBox due to ED's rather restrictive firewall. Please reduce the file size by spreading across multiple emails. I will confirm receipt of every email, so if you do not hear from me, it likely means the file didn't transmit.

-Meghan

From: Them, Richard [mailto:rthem@edmc.edu]
Sent: Thursday, July 6, 2017 8:49 AM
To: Frola, Michael
Cc: Coyle, Meghan; Arthur, Julie; Sikora, Tara
Subject: RE: EDMC Request of Additional Information

Hi Mike and Meghan

As we were re reviewing this request, I have been told that item 8 may require us to provide over a 1000 pages of documents.
(some of it would be duplicated since we would be submitting the same back-up for each institution).

We will do so however we wanted to know if the Department of Education has the means to accept large files using
something like drop box or do you wish multiple emails with attachments.

Thanks

Richard

From: Frola, Michael [mailto:Michael.Frola@ed.gov]
Sent: Tuesday, June 27, 2017 10:33 AM
To: Them, Richard
Cc: Coyle, Meghan; Arthur, Julie; Sikora, Tara
Subject: EDMC Request of Additional Information

Hi Richard,

Please see attached letter requesting additional information on the proposed change in ownership.

Thanks,

Mike

Michael Frola
Director
Multi-Regional and Foreign School Participation Division
Office: (202) 377-3364
michael.frola@ed.gov
StudentAid.gov

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION | PROUD SPONSOR of the AMERICAN MIND™

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Harvey, Margery

From: Coyle, Meghan
Sent: Monday, July 10, 2017 9:57 AM
To: Arthur, Julie
Subject: RE: EDMC Request of Additional Information

They are going to have their law firm hand deliver it to Michelle.

I don't think it is necessary to use the cubicle number, however. I never used one when mailing documents to Mike, Angela, or Joe.

From: Arthur, Julie
Sent: Monday, July 10, 2017 9:56 AM
To: Coyle, Meghan
Subject: RE: EDMC Request of Additional Information

Meghan,

Don't you need a cubicle number for mailing to DC? Just curious.

Julie

From: Coyle, Meghan
Sent: Friday, July 7, 2017 9:42 AM
To: 'Them, Richard'; Frola, Michael
Cc: Arthur, Julie; Sikora, Tara; Johnson, Michelle
Subject: RE: EDMC Request of Additional Information

Richard,

Michelle Johnson is able to accept submissions via thumb drive. Please send the files to her attention, and she will make the documents available to others.

Her mailing address is:

Michelle Johnson
U.S. Department of Education
Federal Student Aid
830 First Street NE
Washington, DC 20202

Thank you,

Meghan

From: Them, Richard [mailto:rthem@edmc.edu]
Sent: Thursday, July 6, 2017 11:01 AM
To: Coyle, Meghan; Frola, Michael
Cc: Arthur, Julie; Sikora, Tara
Subject: RE: EDMC Request of Additional Information

Thanks

From: Coyle, Meghan [mailto:Meghan.Coyle@ed.gov]
Sent: Thursday, July 06, 2017 10:17 AM
To: Them, Richard; Frola, Michael
Cc: Arthur, Julie; Sikora, Tara
Subject: RE: EDMC Request of Additional Information

Richard,

Unfortunately, I am not able to access sites such as DropBox due to ED's rather restrictive firewall. Please reduce the file size by spreading across multiple emails. I will confirm receipt of every email, so if you do not hear from me, it likely means the file didn't transmit.

-Meghan

From: Them, Richard [mailto:rthem@edmc.edu]
Sent: Thursday, July 6, 2017 8:49 AM
To: Frola, Michael
Cc: Coyle, Meghan; Arthur, Julie; Sikora, Tara
Subject: RE: EDMC Request of Additional Information

Hi Mike and Meghan

As we were re reviewing this request, I have been told that item 8 may require us to provide over a 1000 pages of documents.
(some of it would be duplicated since we would be submitting the same back-up for each institution).

We will do so however we wanted to know if the Department of Education has the means to accept large files using something like drop box or do you wish multiple emails with attachments.

Thanks

Richard

From: Frola, Michael [mailto:Michael.Frola@ed.gov]
Sent: Tuesday, June 27, 2017 10:33 AM
To: Them, Richard
Cc: Coyle, Meghan; Arthur, Julie; Sikora, Tara
Subject: EDMC Request of Additional Information

Hi Richard,
Please see attached letter requesting additional information on the proposed change in ownership.
Thanks,
Mike

Michael Frola
Director
Multi-Regional and Foreign School Participation Division
Office: (202) 377-3364

michael.frola@ed.gov
StudentAid.gov

Federal Student Aid

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Harvey, Margery

From: Frola, Michael
Sent: Tuesday, July 11, 2017 11:38 AM
To: Arthur, Julie; Johnson, Michelle
Cc: Coyle, Meghan; Sikora, Tara
Subject: RE: EDMC

Thanks for the update. I'll wait to hear from Michelle when she gets the flash drive.
-Mike

From: Arthur, Julie
Sent: Tuesday, July 11, 2017 11:23 AM
To: Frola, Michael
Cc: Coyle, Meghan; Sikora, Tara
Subject: EDMC

Hi, Mike,

The request for more information from EDMC re the proposed sale to the Dream Center gave them until today to provide the additional documentation. Their plan was to have their attorney's office drop off a flash drive at UCP for Michelle Johnson.

Julie

Julie Yeager Arthur
Compliance Manager
US Department of Education, Federal Student Aid
Multi-Regional and Foreign Schools Participation Division
915 2nd Avenue, Suite 390, Seattle, WA 98174
(206) 615-2232 Fax: (206) 607-1664
julie.arthur@ed.gov
StudentAid.gov
Federal Student Aid

From:	Arthur, Julie
To:	Harvey, Margery
Subject:	FW: June 27th questions
Date:	Monday, May 14, 2018 8:33:08 PM

For the FOIA request.

From: Them, Richard [mailto:rthem@edmc.edu]
Sent: Thursday, July 13, 2017 6:35 AM
To: Coyle, Meghan
Cc: Frola, Michael; Sikora, Tara; Arthur, Julie
Subject: RE: June 27th questions

Not a problem

From: Coyle, Meghan [mailto:Meghan.Coyle@ed.gov]
Sent: Thursday, July 13, 2017 9:34 AM
To: Them, Richard
Cc: Frola, Michael; Sikora, Tara; Arthur, Julie
Subject: RE: June 27th questions

Richard,

Thank you for resending the email and attachment. I received it this morning at 9:30AM.

-Meghan

From: Them, Richard [mailto:rthem@edmc.edu]
Sent: Thursday, July 13, 2017 9:28 AM
To: Coyle, Meghan
Cc: Frola, Michael; Sikora, Tara; Arthur, Julie
Subject: RE: June 27th questions

Good morning

On Tuesday I sent an email at about 6:07 PM Eastern. It had the other material on it.
I sent the email to Mike, Steve Finley and you. It did not bounce back so perhaps the Department's system has somehow isolated it. The email is about 7 MGs.

I will send it again in a few minutes just to you. If you do not have it in about 15 minutes, please let me know.

In the mean time we will have our Washington counsel generate another thumb drive so if necessary we
can have it hand delivered later today.

Thanks

Richard

From: Coyle, Meghan [mailto:Meghan.Coyle@ed.gov]
Sent: Thursday, July 13, 2017 8:20 AM
To: Them, Richard
Cc: Frola, Michael; Sikora, Tara; Arthur, Julie
Subject: RE: June 27th questions

Richard,

The Department transferred all of the files from the flash drive to our shared drive. On the flash drive, each file was housed in a folder named Exhibit J. All the documents within the Exhibit J folder appear to correspond to item 8 of the letter dated June 27, 2017.

It appears the other files were not accessible on the flash drive that was provided, and I did not receive a follow-up email. Please provide those documents/responses via email by the close of business today.

-Meghan

From: Them, Richard [mailto:rthem@edmc.edu]
Sent: Wednesday, July 12, 2017 5:58 PM
To: Coyle, Meghan
Subject: June 27th questions

Hi Meghan

I just wanted to confirm that you received the email with to the questions sent to us
on June 27, 2017.

Thanks

Richard Them
Senior Vice President -Student Finance and Compliance
Education Management Corporation
210 Sixth Avenue, 3rd Floor
Pittsburgh, PA 15222

Direct Dial 412-606-2442 (New Number)

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From: Sikora, Tara
To: May, Todd; Coyle, Meghan
Cc: Frola, Michael; Arthur, Julie
Subject: RE: EDMC - 9/15//17 Date
Date: Thursday, September 07, 2017 2:28:07 PM
Attachments: image001.png

+ Julie

Looping Julie in too now that she is back from vacation ☺

From: May, Todd
Sent: Thursday, September 07, 2017 2:26 PM
To: Coyle, Meghan
Cc: Sikora, Tara; Frola, Michael
Subject: RE: EDMC - 9/15//17 Date

Thanks so very much Meghan!

From: Coyle, Meghan
Sent: Thursday, September 07, 2017 2:26 PM
To: May, Todd
Cc: Sikora, Tara; Frola, Michael
Subject: FW: EDMC - 9/15//17 Date

Todd,

Please see the summary below.

-Meghan

Education Management Corporation

(b)(5)

[redacted]

(b)(5) [redacted]

From: Coyle, Meghan
Sent: Thursday, September 7, 2017 12:43 PM
To: May, Todd
Subject: RE: EDMC - 9/15//17 Date

Hey, Todd—

I am working on this.

-Meghan

From: May, Todd
Sent: Thursday, September 7, 2017 12:15 PM
To: Sikora, Tara; Coyle, Meghan
Subject: FW: EDMC - 9/15//17 Date

Meghan and Tara –

(b)(5) [redacted]

Thanks,

Todd

From: Frola, Michael
Sent: Thursday, September 07, 2017 11:50 AM
To: May, Todd
Subject: EDMC - 9/15//17 Date

Hi Todd,

(b)(5) [redacted]

Thanks,

Mike

Michael Frola
Director
Multi-Regional and Foreign School Participation Division
Office: (202) 377-3364
michael.frola@ed.gov
StudentAid.gov

From:	Mangold, Donna
To:	Puffer, Rhonda
Cc:	Coyle, Meghan; Frola, Michael; Arthur, Julie; Sikora, Tara
Subject:	FW: EDMC - Dream Center - Preacq letter
Date:	Monday, September 11, 2017 11:07:02 AM
Attachments:	Dream Center Acquisition of EDMC Institutions - Pre-Acq Letter 09.08.17 (OGC Final).docx Dream Center Acquisition of EDMC Institutions - Pre-Acq Letter 09.08.17 (OGC Final- REDLINE).docx

Oops! Forgot to send to Rhonda

From: Mangold, Donna
Sent: Monday, September 11, 2017 10:48 AM
To: Frola, Michael; Coyle, Meghan; Arthur, Julie; Sikora, Tara
Cc: Minor, Robin; Bennett, Ron; Finley, Steve; Brinton, Jedediah
Subject: EDMC - Dream Center - Preacq letter

I have attached the clean and redline OGC finals of the letter (only the clean is dated on the document). UPS info still needs to be inserted, and there are still some formatting issues (spaces between paragraphs) that I have not been able to fix.

The redline compares the Final document to the document that I circulated on Thursday afternoon.

(b)(5)

From:	Coyle, Meghan
To:	Frola, Michael; Arthur, Julie; Sikora, Tara
Subject:	FW: EDMC - Dream Center
Date:	Monday, September 11, 2017 12:01:18 PM
Attachments:	WASC Structural Change Site Visit Report ArgU ChangeofOwnership May 2017....pdf Dream Center Acquisition of EDMC Institutions - Pre-Acq Letter 9.1.17 (+SM JB edits 9.07.17) - Redaction comments.docx

FYI

From: Coyle, Meghan
Sent: Friday, September 8, 2017 2:47 PM
To: Mangold, Donna
Subject: RE: EDMC - Dream Center

Donna,

(b)(5)

[redacted]

-Meghan

From: Mangold, Donna
Sent: Friday, September 8, 2017 12:46 PM
To: Finley, Steve; Minor, Robin; Frola, Michael; Mecca, Shari; Arthur, Julie; Puffer, Rhonda; Sikora, Tara; Dossa, Shein; Coyle, Meghan; May, Todd
Subject: RE: EDMC - Dream Center

Steve/Robin/Mike (and any others),

(b)(5)

[redacted]

(b)(5)

From: Finley, Steve
Sent: Friday, September 08, 2017 11:56 AM
To: Mangold, Donna; Minor, Robin; Frola, Michael; Mecca, Shari; Arthur, Julie; Puffer, Rhonda; Sikora, Tara; Dossa, Shein; Coyle, Meghan; May, Todd
Subject: RE: EDMC - Dream Center

(b)(5)

From: Mangold, Donna
Sent: Friday, September 08, 2017 10:47 AM
To: Minor, Robin; Frola, Michael; Finley, Steve; Mecca, Shari; Arthur, Julie; Puffer, Rhonda; Sikora, Tara; Dossa, Shein; Coyle, Meghan; May, Todd; Finley, Steve
Subject: EDMC - Dream Center

(b)(5)

(b)(5)

From: Frola, Michael
To: Mangold, Donna; Arthur, Julie; Coyle, Meghan
Cc: Sikora, Tara
Subject: RE: EDMC - Dream Center - Preacq letter
Date: Monday, September 11, 2017 12:01:08 PM
Attachments: EDMC Pre-Acquisition Letter 9.11.17.pdf

Here's a signed copy.

From: Mangold, Donna
Sent: Monday, September 11, 2017 11:58 AM
To: Arthur, Julie; Frola, Michael; Coyle, Meghan
Cc: Sikora, Tara
Subject: RE: EDMC - Dream Center - Preacq letter

Even if they don't release it proactively as an announcement, do they intend to release in response to inquiries?

From: Arthur, Julie
Sent: Monday, September 11, 2017 11:42 AM
To: Frola, Michael; Coyle, Meghan; Mangold, Donna
Cc: Sikora, Tara
Subject: RE: EDMC - Dream Center - Preacq letter

Mike,

(b)(5) [redacted]

Julie

From: Frola, Michael
Sent: Monday, September 11, 2017 8:35 AM
To: Coyle, Meghan; Arthur, Julie; Mangold, Donna
Cc: Sikora, Tara
Subject: RE: EDMC - Dream Center - Preacq letter

I just finished reviewing the letter and I'm sending up to Robin, Ron, and Todd for approval to send.

Thanks,

Mike

From: Coyle, Meghan
Sent: Monday, September 11, 2017 11:33 AM
To: Arthur, Julie; Mangold, Donna
Cc: Frola, Michael; Sikora, Tara
Subject: RE: EDMC - Dream Center - Preacq letter

I agree.

I answered all of Todd's questions and provided additional information. (b)(5) [redacted]

(b)(5) [redacted]

From: Arthur, Julie
Sent: Monday, September 11, 2017 11:26 AM
To: Mangold, Donna
Cc: Coyle, Meghan; Frola, Michael; Sikora, Tara
Subject: RE: EDMC - Dream Center - Preacq letter

(b)(5) [redacted]

Julie

From: Mangold, Donna
Sent: Monday, September 11, 2017 8:07 AM
To: Puffer, Rhonda
Cc: Coyle, Meghan; Frola, Michael; Arthur, Julie; Sikora, Tara
Subject: FW: EDMC - Dream Center - Preacq letter

Oops! Forgot to send to Rhonda

From: Mangold, Donna
Sent: Monday, September 11, 2017 10:48 AM
To: Frola, Michael; Coyle, Meghan; Arthur, Julie; Sikora, Tara
Cc: Minor, Robin; Bennett, Ron; Finley, Steve; Brinton, Jedediah
Subject: EDMC - Dream Center - Preacq letter

I have attached the clean and redline OGC finals of the letter (only the clean is dated on the document). UPS info still needs to be inserted, and there are still some formatting issues (spaces between paragraphs) that I have not been able to fix.

The redline compares the Final document to the document that I circulated on Thursday afternoon.

(b)(5) [redacted]

From: Mangold, Donna
To: May, Todd
Cc: Frola, Michael; Arthur, Julie; Coyle, Meghan; Sikora, Tara
Subject: EDMC Dream Center - Fact Sheet/Q&A
Date: Monday, September 11, 2017 11:37:22 AM

(b)(5)

From: Mangold, Donna
To: Frola, Michael
Cc: Puffer, Rhonda; Coyle, Meghan; Arthur, Julie; Sikora, Tara
Subject: RE: EDMC - Dream Center - Draft of Preacq letter
Date: Friday, September 01, 2017 11:46:44 AM

(b)(5) [redacted]

From: Frola, Michael
Sent: Friday, September 01, 2017 11:42 AM
To: Mangold, Donna
Cc: Puffer, Rhonda; Coyle, Meghan; Arthur, Julie; Sikora, Tara
Subject: RE: EDMC - Dream Center - Draft of Preacq letter

(b)(5) [redacted]

(b)(5) [redacted]

Thanks,
Mike

From: Frola, Michael
Sent: Friday, September 01, 2017 7:23 AM
To: Mangold, Donna
Cc: Puffer, Rhonda; Coyle, Meghan; Arthur, Julie; Sikora, Tara
Subject: Re: EDMC - Dream Center - Draft of Preacq letter

Thank you. Meghan please draft a correspondence summary to accompany the pre-acquisition letter. Thanks, Mike

Sent from my iPhone

On Aug 31, 2017, at 8:55 PM, Mangold, Donna <Donna.Mangold@ed.gov> wrote:

> Adding Rhonda.
> Sent from my Verizon 4G LTE smartphone
>
> -------- Original message --------

From: "Mangold, Donna" <Donna.Mangold@ed.gov>
Date: 8/31/17 6:20 PM (GMT-05:00)
To: "Frola, Michael" <Michael.Frola@ed.gov>, "Coyle, Meghan" <Meghan.Coyle@ed.gov>, "Arthur, Julie" <Julie.Arthur@ed.gov>
Cc: "Finley, Steve" <Steve.Finley@ed.gov>, "Urwitz, Jay" <Jay.Urwitz@ed.gov>
Subject: EDMC - Dream Center - Draft of Preacq letter

A draft of the preacq letter is attached. (It is clean, I didn't keep it in track changes from Meghan's earlier draft).
Thanks to Meghan for all of the great digging through the documents and analysis and putting together the first draft which was a great help to me.

(b)(5) [redacted]

Donna

<2017-08-25 -- Dream Center Acquisition of EDMC Institutions - Pre-Acq.docx>

I can take this out if it is not necessary.
Are there graduate programs?

From:	Smith, Joseph
To:	Coyle, Meghan; Puffer, Rhonda; Hill, Tiffany; Mangold, Donna
Cc:	Sikora, Tara; Arthur, Julie; Frola, Michael
Subject:	FW: October 5, 2017 Amendment to October 4, 2017 Supplement letter
Date:	Thursday, October 05, 2017 11:49:53 PM
Attachments:	Dream Center Acquisition of EDMC Institutions-10.5.2017 Amendment to Supplement.pdf

---

Thanks Meghan, Rhonda, Donna, and Tiffany! I appreciate the long hours and extra effort everyone put in this evening to get this letter in flight this evening. -joe

From: Smith, Joseph
Sent: Thursday, October 05, 2017 11:46 PM
To: 'rthem@edmc.edu'
Cc: Frola, Michael
Subject: October 5, 2017 Amendment to October 4, 2017 Supplement letter

Hi Richard,

(b)(5) [redacted]

Best regards,

-joe

Joseph Smith
Compliance Manager
Multi-Regional and Foreign Schools Participation Division
Federal Student Aid
Office: (202) 377-4321
Joseph.Smith@ed.gov
StudentAid.gov
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From:	Sikora, Tara
To:	Frola, Michael; Arthur, Julie; Dossa, Shein
Cc:	Mangold, Donna; Finley, Steve
Subject:	Dream Center Follow-up to the 3.7.18 Documentation Request updated 5.10.18
Date:	Thursday, May 10, 2018 3:26:35 PM
Attachments:	Dream Center Follow-up to the 3.7.18 Documentation Request updated 5.10.18.docx

Hi Mike,

Please see the attached Dream Center documentation request that Donna and I have been working on. Please review and let me know if you have any questions, comments or edits.

(b)(5)

[redacted]

Thank you,

Tara

From:	Hill, Tiffany
To:	Frola, Michael; Smith, Joseph; Busskohl, Mark; Sikora, Tara; Puffer, Rhonda; Kinneer, Ernest; Arthur, Julie; Allred, Michelle
Cc:	Coyle, Meghan; Cartwright, Willie
Subject:	EDMC- OPEID: 00747000
Date:	Monday, April 10, 2017 11:12:18 AM
Attachments:	EDMC Letter of Credit Acceptability.pdf image001.png

FYI,

(b)(5)

[redacted]

Thank you!

Tiffany Hill, MBA

Financial Analyst

U.S. Department of Education

Program Compliance

Multi-Regional & Foreign Schools Participation Division

Office: (202) 377-4225

Fax: (202) 275-3486

tiffany.hill@ed.gov

StudentAid.gov

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Withheld pursuant to exemption

(b)(5)

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Bank of America

BANK OF AMERICA - CONFIDENTIAL

PAGE: 1

RECEIVED MAR 15 2017

DATE: MARCH 14, 2017

AMENDMENT TO IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: 68073794

AMENDMENT NUMBER 6

ISSUING BANK
BANK OF AMERICA, N.A.
ONE FLEET WAY
PA6-580-02-30
SCRANTON, PA 18507-1999

BENEFICIARY
U.S. DEPARTMENT OF EDUCATION
ATTN: VERONICA PICKETT, DIRECTOR
PERFORMANCE IMPROVEMENT AND
PROCEDURES, FEDERAL STUDENT AID/
PROGRAM COMPLIANCE
830 FIRST STREET, NE, UCP3, MS 5435
WASHINGTON, DC 20002-8019

APPLICANT
EDUCATION MANAGEMENT II LLC
210 SIXTH AVENUE
33RD FLOOR
PITTSBURGH, PA 15222

THIS AMENDMENT IS TO BE CONSIDERED AN INTEGRAL PART OF THE ABOVE CREDIT AND MUST BE ATTACHED THERETO.

THE ABOVE MENTIONED CREDIT IS AMENDED AS FOLLOWS:

THE AMOUNT OF THIS CREDIT HAS BEEN DECREASED BY USD 34,932,004.50
THE AGGREGATE AMOUNT OF THE CREDIT IS NOW USD 68,903,944.50

THE EXPIRATION DATE IS AMENDED TO: MAY 31, 2018.

IN LIEU OF RETURNING THE ORIGINAL, THE AGREEMENT / REFUSAL TO THIS AMENDMENT BY FACSIMILE IS ACCEPTABLE. PLEASE SIGN AND FAX YOUR AGREEMENT / REFUSAL TO THE ATTENTION OF K MOCEYUNAS FAX NUMBER 800-755-8743.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

THIS AMENDMENT WILL BECOME EFFECTIVE UPON OUR RECEIPT OF THE BENEFICIARY'S WRITTEN ADVICE OF CONSENT PURPORTEDLY SIGNED BY AN AUTHORIZED SIGNOR OF THE BENEFICIARY, SENT TO US ATTENTION OF KATHRYN MOCEYUNAS. IF THE BENEFICIARY CHOOSES, THEY MAY SIGN AND RETURN THE ATTACHED COPY INDICATING THEIR CONSENT OR REJECTION.

IF YOU REQUIRE ANY ASSISTANCE OR HAVE ANY QUESTIONS REGARDING THIS AMENDMENT, PLEASE CALL 800-370-7519 .

ORIGINAL

Bank of America

(b)(6) [redacted]

AUTHORIZED SIGNATURE

MANUEL BANUELOS

X AMENDMENT ACCEPTED ______ AMENDMENT REFUSED

DATE 4/10/2017

SIGNATURE (b)(6) [redacted]

PRINTED NAME Tiffany Hill

TITLE Financial Analyst

PHONE NUMBER 202-377-4225

THIS DOCUMENT CONSISTS OF 2 PAGE(S).

ORIGINAL

Page 157 of 191

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BNP PARIBAS
CORPORATE & INVESTMENT BANKING

RECEIVED
APR 6 2017

BNP PARIBAS
TRADE FINANCE SERVICES
787 SEVENTH AVENUE
NEW YORK, NY 10019

DATE: APRIL 3, 2017

BENEFICIARY:
SECRETARY, U.S. DEPARTMENT OF EDUCATION
SCHOOL ELIGIBILITY CHANNEL
PERFORMANCE IMPROVEMENT AND PROCEDURES
830 FIRST STREET, NE, ROOM 74D3
WASHINGTON, DC 20002
ATTN: JIM TILTON

LETTER OF CREDIT NUMBER: 04141468

OUR CLIENT, EDUCATION MANAGEMENT II LLC, HAS REQUESTED US TO ADVISE YOU THAT STANDBY LETTER OF CREDIT NUMBER 04141468 (FORMERLY 91892434) ISSUED IN YOUR FAVOR FOR ACCOUNT OF THEMSELVES AND FOR ACCOUNT OF: AS INDICATED IN "SCHEDULE A" (SCHEDULE A LISTS ALL INSTITUTIONS OWNED IN WHOLE OR IN PART BY EDUCATION MANAGEMENT CORPORATION ("EDMC") THAT PARTICIPATE IN THE FEDERAL STUDENT AID PROGRAMS), IS AMENDED AS FOLLOWS:

EXPIRATION DATE AMENDED TO: MAY 31, 2018

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

THIS AMENDMENT IS AN INTEGRAL PART OF THE LETTER OF CREDIT, ALL OTHER TERMS AND CONDITIONS OF THE LETTER OF CREDIT REMAIN UNCHANGED.

CERTAIN ADMINISTRATIVE SERVICES FOR BNP PARIBAS MAY BE PROVIDED BY BNP PARIBAS RCC, INC., BNP PARIBAS, THROUGH ITS CANADA BRANCH, OR ANY DIRECT OR INDIRECT MAJORITY OWNED SUBSIDIARY OF BNP PARIBAS.

BNP PARIBAS
BY: (b)(6) [redacted] C., AS AUTHORIZED AGENT

BY: AUTHORIZED SIGNATURE

BY: (b)(5) [redacted] AUTHORIZED SIGNATURE

Page 159 of 191

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(b)(5)

of the Freedom of Information and Privacy Act

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

RECEIVED
APR 6 2017

BNP PARIBAS
TRADE FINANCE SERVICES
787 SEVENTH AVENUE
NEW YORK, NY 10019

DATE: APRIL 3, 2017

BENEFICIARY:
DEPARTMENT OF EDUCATION
PERFORMANCE IMPROVEMENT & PROCEDURE
830 FIRST STREET, NE, UCP3, MS 5435
WASHINGTON, DC 20002-8019

LETTER OF CREDIT NUMBER: 04141402

WE ARE INSTRUCTED BY:
EDUCATION MANAGEMENT II LLC
210 SIXTH AVENUE, 33RD FLOOR
PITTSBURGH, PA 15222

TO AMEND THE LETTER OF CREDIT 04141402 AS ISSUED IN YOUR FAVOR.

AMENDED TERMS AND CONDITIONS:
AMOUNT DECREASED BY: USD 11,644,001.50 TO A NEW BALANCE OF USD22,967,981.50

EXPIRATION DATE AMENDED TO: MAY 31, 2018

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

PLEASE SIGN BELOW TO SIGNIFY YOUR ACCEPTANCE TO THIS AMENDMENT AND FAX RETURN IT TO US TO ATTN: TRADE FINANCE SERVICES AT FAX NO.:(973)988-4471 OR VIA EMAIL AT NYTFSTANDBY@US.BNPPARIBAS.COM.

AMENDMENT ACCEPTED X REJECTED ______

Tiffany Hill
AUTHORIZED SIGNATURE

THIS AMENDMENT IS AN INTEGRAL PART OF THE LETTER OF CREDIT, ALL OTHER TERMS AND CONDITIONS OF THE LETTER OF CREDIT REMAIN UNCHANGED.

CERTAIN ADMINISTRATIVE SERVICES FOR BNP PARIBAS MAY BE PROVIDED BY BNP PARIBAS RCC, INC., BNP PARIBAS, THROUGH ITS CANADA BRANCH, OR ANY DIRECT OR INDIRECT MAJORITY OWNED SUBSIDIARY OF BNP PARIBAS.

BNP PARIBAS

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

Reference No.: 04141402

BY: BNP PARIBAS RCC, INC., AS AUTHORIZED AGENT

(b)(6) [redacted] (b)(5) [redacted]

BY: ______________________ B______________________
AUTHORIZED SIGNATURE AUTHORIZED SIGNATURE

From:	Frola, Michael
To:	Them, Richard
Cc:	Coyle, Meghan; Arthur, Julie; Sikora, Tara
Subject:	EDMC Request of Additional Information
Date:	Tuesday, June 27, 2017 10:32:34 AM
Attachments:	EDMC Request for Additional Information 6.27.17.pdf image001.png

Hi Richard,

Please see attached letter requesting additional information on the proposed change in ownership.

Thanks,

Mike

Michael Frola

Director

Multi-Regional and Foreign School Participation Division

Office: (202) 377-3364

michael.frola@ed.gov

StudentAid.gov

Structural Change Site Visit Report

Argosy University

Change of Ownership

Wednesday, April 12, 2017

Team Roster

Philip Clayton, 1st Reader
Former Executive Vice President and Provost, Claremont Lincoln University

Margaret Bailey, 2nd Reader
Former President, Pacific Educational Resources

Phillip Doolittle
Executive Vice Chancellor of Finance and Administration/CFO at Brandman University and a WSCUC Commissioner

Marianne Koch, 3rd Reader
Associate Dean and Director of HR Programs, Ageno School of Business, Golden Gate University

John Hausaman
Director of Substantive Change and Committee Relation, WSCUC Staff

The team conducted its review and evaluated the institution under the 2013 Standards of Accreditation and prepared this report containing its collective evaluation for consideration and action by the institution and by the WASC Senior College and University Commission (WSCUC). Formal action is taken by the Commission and is described in a letter from the Commission to the institution. This report and the Commission letter are made available to the public by publication on the WSCUC website.

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SECTION I. Overview and Context

A. Description of the Institution and the Proposed Change

Argosy University is a private, proprietary academic institution owned by Education Management Corporation (EDMC) and headquartered in Orange County, California. Argosy offers online and campus-based programs through twenty-seven branches in Arizona (1), California (13), Colorado (1), Florida (2), Georgia (1), Hawaii (1), Illinois (2), Minnesota (1), Tennessee (1), Texas (1), Utah (1), Virginia (1), and Washington (1). Argosy University was formed in 2001 by the merging of three separate academic institutions: the American Schools of Professional Psychology, the University of Sarasota, and the Medical Institute of Minnesota. Argosy University was accredited by WSCUC in 2011. Prior to WSCUC accreditation, Argosy University was accredited by the Higher Learning Commission (HLC). EDMC still maintains three HLC accredited institutions: Illinois Institute of Art (with two actively-enrolling branch campuses and one in teach-out), The Art Institute of Colorado, and Brown Mackie College-Salina (with three branch campuses), which is in teach-out. HLC, along with the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), Northwest Commission on Colleges and Universities, and Middle States Commission on Higher Education, are also conducting a Change of Control review.

Argosy serves adult working professionals and offers associate (22), bachelor (32),[1] masters (37), professional doctorate (18) degrees, and many non-degree certificates. Argosy reported fall semester 2015 enrollment of 16,508 (FTE) undergraduates, 6069 (FTE) graduates, a total FTE of 22,577 students. Distance education students comprised 38% of the student population in the fall 2015 semester. Argosy's eight colleges and schools include: College of Arts and Sciences, College of Clinical Psychology, College of Counseling, Psychology and Social Sciences, College of Creative Arts and Design, College of Education, College of Health Sciences, College of Law, and Graduate School of Business Management located at its main campus, satellites, branch campuses, satellite locations, and in the online modality.

Argosy is proposing a change of ownership control from Education Management Corporation to the Dream Center Foundation (DCF). The Dream Center Foundation is a nonprofit 501(c)(3) organization that supports the Los Angeles Dream Center and an affiliate network of more than 53 independent Dream Centers and other nonprofit organizations that collaborate with the Dream Center in the greater Los Angeles area.

The WSCUC team and the institution were not able to agree on the best language to describe DCF. Argosy has requested that the team describe DCF as a secular organization. In one sense this is obviously true, since the legal documents and mission statement do not declare it to be a faith-based organization. Nevertheless, there are factors that make it difficult to describe the history and function of DCF as fully secular. DCF was founded to raise funds for the Dream Centers. The Dream Centers grow out of a Pentecostal Christian Church mission. Their website includes a traditionally Christian Statement of Faith. Their Christian values and motivations are emphasized across the network, for example "At the Dream Center, they recognize the gift of life

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[1] www.argosy.edu, https://nces.ed.gov/collegenavigator/?q=Argosy+University&s=CA

we've been given through Jesus Christ and understand our responsibility to share that gift and God's love with our communities. Therefore, it's been their mission to connect and reconnect isolated people to God and a community of support" (Rochester NY Dream Center).

As the name suggests, DCF was originally founded in order to assist the Dream Centers in fundraising. The two founders of the Dream Centers, Pastor Tommy Barnett and Pastor Matthew Barnett, continue to serve as Chairman and President of DCF. In an interview, Pastor Matthew Barnett described his missional goals for DC, DCF, and Argosy to the visit team. The Guidestar listing states that "The Dream Center Foundation's mission is to develop a successful working model in the greater Los Angeles area that will inspire churches worldwide to meet the spiritual and physical needs of the community." The WSCUC team notes Argosy's desire to portray DCF as fully secular. But given the sample evidence just cited, and in light of the history and leadership, the team does not concur that "secular" gives a full picture of the organization's work.

As set forth in the Asset Purchase Agreement signed on February 24, 2017, DCF will establish an Argosy University nonprofit parent, single-member limited liability and several subsidiary tax-exempt, single-member limited liability companies to purchase the assets, corporation and institutions comprising Argosy University. According to the proposal, the seven-member Argosy Board of Trustees will remain the exclusive governing board that provides oversight to Argosy University even though there are likely to be significant changes in the board of trustees' membership over time. Upon acquisition, the non-independent directors who are currently appointed by EDMC will be replaced. Not only board members but others interviewed during the site visit mentioned plans to add additional members to the board post-acquisition.

DCF has created a nonprofit education parent holding company, Dream Center Education Holdings, LLC (DCEH), and a centralized support services nonprofit, Dream Center Education Systems, LLC (DCES), which will initially provide the same shared services as those currently provided by EDMC. DCES is not obligated to continue providing the same services post-acquisition. The Dream Center Education Holdings, LLC CEO is Brent Richardson, former Chief Executive Officer and former Executive Chairman of Grand Canyon University. The Dream Center Education Holdings will provide expertise and resources related to development, alumni giving, and grant-requesting initiatives and will coordinate administrative and support services between Argosy University and the Dream Center network. In early March DCF publicized the Argosy University acquisition:

> Los Angeles Times report on March 3, 2017 states, "Today, the Dream Center Foundation announces its intent to acquire the Pittsburgh-based Education Management Corporation [EDMC], one of the largest providers of post-secondary education in the United States. The acquisition will include EDMC's The Art Institutes, Argosy University and South University.
>
> For three years, the Dream Center Foundation has actively explored educational partnerships or acquisitions that might enhance our ability to provide quality education to scores of Americans through our Dream Center in Los Angeles and via our partners,

nationwide," said Dream Center Foundation managing director Randall Barton. "We believe this is the opportunity we have been looking for, and it aligns perfectly with our mission which views education as a primary means of life transformation."

University operations will be managed by Dream Center Education Holdings, LLC under newly named CEO and Co-Chairman Brent Richardson. Mr. Richardson is a veteran in higher education administration who comes to Dream Center Education Holdings, LLC having most recently been a principal participant in the transformation of Grand Canyon University from a fledgling Phoenix-based residential school of 1,000 students to one of the largest residential and online institutions of higher education in America.

The change of ownership involves multiple regional accreditation associations. The WSCUC team took this into consideration when scheduling the Argosy University site visit. The Higher Learning Commission letter of March 14, 2017 outlined its review process and stated:

Given the scope and complexity of this transaction and the Commission's unfamiliarity with the buyer, the Commission has determined that it will conduct the meeting in two parts. The first part shall occur in Phoenix the afternoon of May 11, 2017. At this meeting, we expect to meet with Mr. Randy Barton and Mr. Brent Richardson, who appear to be emerging as key players in the institutional structure wherein the Dream Center will provide executive leadership for EDMC's assets. We also expect any investors to be present at the meeting. At a minimum Mr. Najafi must be present, but representatives of other entities, including those from any other regionally accredited institutions or those that might have a direct or indirect financial or related interest in this transaction, should also be present. We also anticipate that any individuals or corporations, including but not limited to Significant Systems, that have had a role in brokering this transaction will be present as well. The second part of this meeting shall occur the afternoon of May 12, 2017, at the Dream Center campus in Los Angeles. Either at this second meeting or at the meeting in Phoenix, we anticipate meeting with Pastor Tommy Barnett and other key representatives of the Dream Center. Dr. Anthea Sweeney and I will represent the Commission although we may choose to include other representatives to be identified later.

DCF, through DCEH**,** a nonprofit limited liability company with DCF (a 501c3 organization) as its sole member, will purchase the assets of Argosy University and other assets owned by Argosy's parent company EDMC. DCF will finance the purchase from a funding source and promissory note issued to EDMC. The credit facility and EDMC promissory note will be structured so that the debt service payments are covered in part by Argosy University's operational income. In addition, DCF will provide three additional sources of funds for investment in each acquired asset in the DCEH educational system: (1) capital expenditure allocations from approved budgets, (2) an operating line of credit procured for each educational system, and (3) development and grant funding. In addition, there will be savings resulting from tax savings that will be used to hire fund development staff, and cost savings resulting from the reduction of corporate overhead to make more funds available within each educational system.

B. Description of the Team's Review Process

The WSCUC reviewers Philip Clayton (1st reader), Former Executive Vice President and Provost, Claremont Lincoln University, Margaret Bailey (2nd reader), President, Pacific Education Resources, and Marianne Koch (3rd reader), Professor of Management, Director of HR Program, Faculty, Golden Gate University, assisted by John Hausaman, WSCUC Director of Substantive Change and Committee Relation Liaison, and Geoff Chase WSCUC liaison to Argosy University, all participated on the original substantive change panel teleconference on Wednesday, February 22, 2017. The reviewers agreed unanimously to proceed to the visit on April 12, 2017. Due to the complexity of the financial and structural proposal, the reviewers requested a fourth member of the team with strong financial experience be added to the review team, and on March 14 Phillip Doolittle joined the team. Dr. Phil Doolittle is the Executive Vice Chancellor of Finance and Administration/CFO at Brandman University and a WSCUC Commissioner.

The reviewers have worked with Argosy University staff in preparation for the site visit. Prior to the visit members reviewed the submission and all supporting documentation, including all relevant correspondence and reports, and requested additional documentation in preparation for the visit. The Argosy ALO and the WSCUC team developed an agenda for the day-long visit designed to verify institutional preparedness for the change of ownership, as well as the educational mission alignment of the two institutions and the preparations underway for the change of control. The areas under review included but were not limited to: transition plan, governance and executive leadership, strategic planning, enrollment management and marketing, financial transaction details, financial sustainability, and student support services.

The reviewers prepared for the structural change visit according to a standard visit protocol. The institutional report and supporting documents were received in advance of the WSCUC conference call, on February 22, 2017, and the call was followed-up with a request for additional documents prior to the site visit. Argosy provided the additional documents in a timely manner. The reviewers did extensive preparation in advance of the meeting, including analysis of the evidence made available electronically. The reviewers also examined the Argosy and Dream Center Foundation websites, catalogs, and other documentation provided to WSCUC.

The reviewers met on April 11, the evening before the site visit, for an organizational meeting. The reviewers were able to meet with all of the key parties involved in the change of ownership from both Argosy and Dream Center Foundation in order to explore the issues identified for the visit. The day's activities on Wednesday, April 12 included meetings with the Argosy and Dream Center boards, presidents, executive leadership teams, staffs, and faculty.

The visit was hosted by Argosy and was well organized. The meetings offered the opportunity to make a thorough assessment of the changes anticipated with the change of ownership as well as the current situation and issues leading up to the change of ownership. Argosy and Dream Center leadership, staff, faculty and students grasp the importance and complexity of the change of ownership. They addressed the issues of the WSCUC reviewers with in-depth responses, particularly on issues related to governance, strategic planning, financial sustainability, enrollment management, student support services, and faculty. The WSCUC reviewers concluded that the discussions were wide ranging and thorough. However, it should be noted that it is still early in the acquisition planning and some key issues were yet to be determined. (CFRs 1.5, 1.6)

SECTION II. Evaluation of the Proposed Change

A. Issue 1: Mission and Strategic Planning

Argosy University and DCEH have not created a post-acquisition strategic plan nor begun the work of collaborating on identifying strategic priorities under the proposed organizational and leadership changes. If approved, the structural change will result in Argosy transitioning from a for-profit to a nonprofit university. According to the structural change proposal, "DCF desires to acquire Argosy University and other EDMC-owned institutions so that it can expand the services that the Dream Center Network provides by making an affordable, convenient, quality education available to their existing clients and all others who would benefit. DCF also envisions the faculty, staff, students, and graduates of Argosy as partners in providing counseling, education, and volunteer services to the communities and families served by the Dream Center Network around the United States, thus expanding the services of the Dream Center Network and growing the existing commitment of Argosy University to engage in community outreach and service." While there are individuals within DCF who have higher education experience, the institution has not served a higher education mission or provided many of the functions that will support Argosy, such as shared services. These functions currently exist in EDMC and will be acquired by DCF or its subsidiaries. The initial DCEH and DCES staff will consist primarily of staff members who are currently serving Argosy University at EDMC. It is assumed that both DCEH and DCES will make changes to staffing post-acquisition. (CFR 1.1, CFR 1.2)

According to the Argosy and DCEH leadership, the Argosy mission is broad, flexible, and aligns with the social service professions. Leadership affirms that Argosy's mission is not only consistent with the DCF mission but will also allow Argosy to help serve the educational needs of staff and students from the Dream Centers. For purposes of comparison, the mission statements of the three organizations follow:

> Argosy: "*At Argosy University, our passion is teaching and learning. We develop professional competence, provide opportunity for personal growth, and foster interpersonal effectiveness. Students succeed because our university community engages and supports them.*" (https://www.argosy.edu/)
>
> DCF: The mission of the Dream Center Foundation, as stated in its annual impact report is "*… to connect broken people to a community of support by offering free resources and services that address immediate and long-term needs in the areas of poverty, addiction, and human trafficking."(http://www.dreamcenter.org/about-us/about-us/vision-mission)*

The Dream Center: "The Dream Center's purpose is to reconnect isolated people to God and a community of support by providing human services that address immediate and long-term needs in the areas of homelessness, hunger, poverty, addiction, education, and human trafficking." "We are building a community of resilient people whose lives have been redeemed by God's love." (http://www.dreamcenter.org/about-us/about-us/vision-mission/)

According to the DCF website, the primary programs of the foundation are: discipleship recovery program, mobile food distribution, human trafficking program, and foster care intervention. But the foundation has also moved into supporting education, job training, and GED programs. The newly formed Dream Center Education Holdings, LLC has as its mission to be "accessible, affordable, relevant, and purposeful."

Argosy University has been looking for a strategic partner or new ownership since fall 2016 in order to help them avoid the heavy debt and negative reputation of EDMC, which has been hampering the university's financial stability and enrollment growth. For three years Dream Center Foundation has been seeking a higher education partner in order to expand its academic programs and educational opportunities for the clients it serves.

During the visit the Argosy board and leadership as well as Dream Center Foundation board and leadership discussed the synergy and benefits of the acquisition. As of the time of the visit, however, there had been no post-acquisition planning other than transition planning for corporate and shared services. When leadership was pressed about a strategic plans beyond the acquisition transition period they indicated this was not necessary because very few, if any, changes will occur immediately at the institutional level post-closing.

There seems to be a significant gap between the focus and benefits described by the university on the one hand and the Dream Center Foundation and Dream Center Educational Holdings on the other. The university's focus is on the regulatory, financial, and marketing advantages of the university's conversion to nonprofit status, and Dream Center Foundation and Dream Center Educational Holdings are focused on the financial transaction and benefits, as well as the details of the transition of services and setting up the corporate structure. Another significant difference is the scale of operations between DCF and Argosy. DCF annual revenues are approximately \$21 million in 2016, \$10.6 million in 2015, and \$11.8 in 2014, of which a significant portion of the annual revenue is in non-cash contributions. On the other hand, Argosy revenues are approximately \$400 million per annum. Argosy is also a highly complex institution in a highly regulated market.

The visiting team stressed the importance of working collaboratively on a post-acquisition strategic plan. All parties agreed that they understood the benefits and importance of developing a post-acquisition strategy but felt that they were too early in the acquisition discussions and that there was value to waiting until the new structure and leadership were in place. While this response is understandable, at this time more consideration should be given to the cultural and mission differences, size and complexity of the two organizations. (CFR 4.6 and 4.7)

The DCF and Argosy executive leadership clearly articulated the synergy between the two organizations. At this time there is no direct evidence that the mission will change immediately, and all parties insist it will remain the same. However, conversations with the Dream Center leadership indicate that there are ongoing discussions to review (1) the operational efficiency and financial sustainability of each entity, (2) ways the academic programs can serve the Dream Center clients, and (3) the expansion of new academic programs that will better serve the clients and regional communities of the university and Dream Center.

Two documents of the new education holding company did include language related to religious purposes. The leadership stated that one document (the Operating Agreement of the Dream Center Education Holdings, LLC) had language that was standard for a nonprofit 501(c)(3) IRS filing. That language has since been revised. Some language that might be construed as suggesting religious purposes appeared in the second document (the Articles of Incorporation submitted to the Arizona Corporation Commission) and was related to the circumstance that may occur should there be a dissolution of DCEH. Argosy and DCEH leadership understand that if there is a change of mission this will require a WSCUC filing and review.

B. Issue 2: Financial Transaction and Sustainability

The WSCUC team was able to meet with key parties involved in the planning of the financial transaction and sustainability on Wednesday, April 12, 2017. This included meetings with the Argosy University and Dream Center boards, the Argosy Chancellor, Dream Center Foundation CEO, DC Education Holdings CEO and CFO's of the relevant entities, and the senior executives of both organizations, as well as other leadership teams that will be responsible for managing the financial transaction and financial operation after the transaction.

Numerous documents were reviewed including audited financial statements (Argosy University and Dream Center Foundation), financial indicators (actual and projected), financial ratios (actual and projected), letters of commitment related to the financing of the asset purchase, the draft proposed asset purchase agreement dated December 31, 2016, the initial January 18, 2017 asset purchase agreement, the current amended and restated asset purchase agreement dated February 24, 2017, the proposed operating agreement, and the proposed service agreement. In advance of the institutional visit, reviewers had discussed the Action Report and other materials in detail and prepared a series of questions. The schedule for the visit permitted sufficient time to engage with the boards and senior executives, including financial officers, in discussion of the primary issues.

Financial Transaction

The proposed financial transaction involves three key entities: (1) Dream Center Foundation ("DCF"), a California nonprofit corporation, affiliated with The Dream Center, a nonprofit California corporation. DCF is an organization with annual revenue of approximately $21.0 million and total assets of approximately $35.0 million; (2) Dream Center Education Holdings, LLC ("DC Education Holdings"), a newly formed Arizona nonprofit limited liability company which is 100% owned by DCF; and (3) Education Management Corporation (Education Management II, LLC), ("EDMC"), a for-profit entity incorporated in Delaware and the current owner of Argosy University, South University and The Art Institutes. EDMC currently operates these three educational institutions as well as the Brown Mackie Colleges (which are not part of this transaction) as for-profit entities.

The proposed transaction involves DCF acquiring Argosy University, South University and The Art Institutes (and affiliated organizations) from EDMC. As part of the transaction, Argosy University, South University and The Art Institutes International will be converted to nonprofit education institutions and operate as Arizona nonprofit limited liability companies. Once acquired, DC Education Holdings will provide oversight, management, and administrative support services to the three educational institutions. All of the entities involved will operate collectively under a nonprofit structure (organized under a "disregarded entity" structure for federal income tax purposes).

The transaction between DCF and DC Education Holdings on the one hand and EDMC on the other is structured as an asset purchase. Under the current Asset Purchase Agreement, dated February 24, 2017, the purchase price for the assets and business is $60.0 million, subject to certain agreed upon adjustments, which will be paid in the form of a closing cash-purchase price and deferred payments. At transaction closing, DC Education Holdings will pay EDMC an aggregate cash sum of $50.0 million, plus estimated net working capital adjustments which could be positive or negative based on agreed upon pre- and post-closing calculation formulas. The parties will enter a Promissory Note in which the remaining amount due to EDMC of $10.0 million will be paid by DC Education Holdings in two (2) deferred payments of $5.0 million each, the first due on the six-month anniversary of the transaction closing date and the other due on the twelve-month anniversary of the closing date. In addition to the two $5.0 million payments, DC Education Holdings will also pay the pre-signing deal expenses and the post-signing deal expenses paid by the sellers to the buyers prior to closing. These expense payments are split, with half paid with the first deferred payment and half paid with the second deferred payment.

It should be noted that the original purchase price for this proposed transaction, as disclosed to WSCUC, was $100.0 million. However, the purchase price was reduced after the U.S. Department of Education recently released data under the Department's Gainful Employment (GE) debt-to-earnings regulations. As a result of assessing the potential impact of the GE data on the educational institutions to be acquired, including the risk of enrollment declines moving forward, the parties negotiated an adjustment in the purchase price to account for this increased risk.

As part of this overall transaction, DCF intends to finance the entire amount necessary for the closing cash payment to EDMC of $50.0 million. The majority of financing will come through a credit facility to be provided to DCF by Najafi Companies, LLC or its affiliates. The terms and conditions of the financing are outlined in a Letter of Commitment between DCF and Najafi Companies, LLC, dated February 24, 2017.

Najafi Companies, LLC is an international private investment firm, founded by Jahm Najafi, CEO, and based in Phoenix, AZ. The firm specializes primarily in recapitalizations, acquisitions, and growth capital investments in established businesses. It invests in several industry sectors, including education. The firm generally seeks controlling interest in its portfolio companies. Najafi Companies, LLC was originally part of the consortium of investors who recently agreed to purchase Apollo Education Group, Inc., the owner of the University of Phoenix, for $1.1 billion, but the Najafi Companies withdrew from the consortium before close. According to Argosy University leadership, Najafi Companies have no involvement with Apollo or the University of Phoenix.

Per the above-referenced Letter of Commitment, Najafi Companies, LLC or its affiliates will provide a credit facility to DCF. DCF will use the proceeds from the credit facility to make capital contributions to DC Education Holdings and DC Education Subsidiaries (Argosy University, South University and Art Institutes and related businesses). DC Education Holdings in turn will be responsible for the payment of the closing cash purchase price of $50.0 million to EDMC. Per the Letter of Commitment, DCF is the "borrower" and DC Education Holdings and DC Education Subsidiaries are the "guarantors." [redacted]

[redacted]

The credit facility provided by Najafi Companies to DCF is subject to various regulatory approvals, pre-closing and post-closing requirements, and adherence to the conditions of the Asset Purchase Agreement, including the transaction closing by December 15, 2017. The credit facility is also contingent on DC Education Holdings (and DC Education Subsidiaries) securing a working capital line of credit. Leadership of DCF and DC Education Holdings had estimated that the required operating line of credit would likely be in the $85.0 million to $120.0 million range. However, reviewers were advised that based on a proforma analysis recently conducted by DCF and DC Education Holdings, the working capital line of credit required could be as low as approximately $78.0 million. As of the reviewers' visit, the working capital line of credit had not yet been secured.

As indicated, Najafi Companies are the primary source of the credit facility for the transaction. The reviewers were advised by DCF and DC Education Holdings leadership that Najafi Companies has provided the Richardson Family Trust the opportunity to participate in the loan to DCF, *pari passu* with Najafi Companies. The Richardson Family Trust participation is not currently a condition of the credit facility, per the Letter of Intent between DCF and the Najafi Companies. The amount of the participation is estimated at around 10% (~$5.0 to $6.0 million). Brent Richardson, who is serving as chief executive of DC Education Holdings, is associated with the Richardson Family Trust. Although this matter was discussed, there was no documentation provided to the reviewers regarding the terms and conditions of Richardson Family Trust's participation in the transaction.

Although not mentioned in the Letter of Commitment between DCF, DC Education Holdings and Najafi Companies, dated February 24, 2017, there is an earlier Letter of Intent between the above referenced parties, as well as EDMC, dated January 18, 2017, which specifically states that Najafi Companies and its affiliates are unrelated, arm's-length third parties to DCF and the DCF buyers.

The senior leadership of DCF and DC Education Holdings informed reviewers that the opportunity to acquire the educational program assets of EDMC was brought to DC and/or DCF by Mr. Jahm Najafi, CEO of the Najafi Companies. They indicated that Najafi Companies' interest in serving as the lender for the transaction was based on several factors, including the firm's knowledge of the EDMC situation, its relationship with the senior leadership of DCF and/or DC Education Holdings, and the availability of internal firm resources for this kind of investment ("deep pockets"), as well as its philanthropic interests. As suggested, the credit facility with Najafi Companies is the result of a negotiated arrangement, not a formal selection/RFP process.

The leadership of DCF and DC Education Holdings estimate that the annual debt service on the credit facility with Najafi Companies, once fully implemented, will be approximately $5.0 million.

The DCF and DC Education Holdings have entered into a separate Letter of Commitment, dated February 24, 2017, in which DCF commits to provide DC Education Holdings with an equity commitment to fund the closing cash purchase price of $50.0 million for the transaction. This document serves to confirm that the funding secured by DCF though the credit facility with Najafi Companies will be used specifically to provide the equity commitment to DC Education Holdings.

As indicated previously, the funding for the closing cash payment portion of the purchase price transaction is being totally financed. Neither the Dream Center nor DCF are directly funding the transaction from existing financial resources. The Dream Center itself is an indirect party to this financial transaction.

Fundamentally, this transaction is structured such that the entire purchase price for the assets of $60.0 million, plus agreed upon transaction costs, is totally debt financed, with the acquired institutions, including Argosy University, being responsible for generating the resources through operations that are necessary to service the debt payments, which include both the long-term debt as well as the two deferred payments. In conversations with the senior leadership of DCF and DC Education Holdings, they indicated that the size and structure of the financial operations of the new DC Education Holdings entity, which is comprised primarily of the three education institutions, will provide more than sufficient debt coverage and will be able to generate the resources required for debt services payments. It was difficult for the reviewers to fully validate this claim since the financial information and projections provided were focused primarily on Argosy University's financial operations and not on those of the other DC Education Holdings-related entities involved in the transactions.

The reviewers were provided with projected financial ratios for DC Education Holdings at the close of the transactions, assumed to be July 1, 2017, as well as projected ratios at the end of the first year of operations, June 30, 2018. The projected financial ratios provided for DC Education Holdings were as follows:

Transaction Close (7/01/2017):

- Acid Test Ratio 1.08
- Current Ratio 1.21
- Tangible Net Worth $69.6 million
- Composite Score N/A

One Year after Transaction Close (6/30/2018)

- Acid Test Ratio 1.19
- Current Ratio 1.35
- Tangible Net Worth $102.7 million
- Composite Score 1.6

The financial ratios can be used to gauge the overall financial health of an institution, including the ability of an institution to meet its debt service obligations. The Current Ratio is a liquidity ratio that measures the ability of an organization to pay back its liabilities, including short-term and long-term obligations such as debt service. A ratio under 1 indicates an institution is not in good financial health. As shown above, the Current Ratio for DC Education Holdings is projected to be 1.21 at transaction closing and 1.35 a year after the close of the transaction.

The Acid Ratio also measures an organization's liquidity. A ratio of 1 or better is considered to be satisfactory. As shown, DC Education Holdings is projecting an Acid Ratio of 1.08 at transaction closing and 1.19 a year after the transaction close.

The Federal Composite Score reflects the overall relative financial health of an institution along a scale of negative 1.0 to position 3.0. The US Department of Education considers a score greater than or equal to 1.5 as an indication that an institution is financially responsible. DC Education Holdings is projecting a Federal Composite Score of 1.6 a year after the transaction closes.

Tangible net worth calculates the net worth of an entity, excluding any value derived from intangible assets, such as intellectual property, patents, and copyrights. It is a basic calculation of an entity's total tangible assets, minus the entity's total liabilities. DC Education Holdings is projecting that the tangible net worth of the organization at the end of its first year of operation will have increased by $33.1 million, an increase of 48.0%.

As noted, all of the ratios shown for DC Education Holdings are projections. All of the ratios provided for DC Education Holdings are for DC Education Holdings as a consolidated entity and do not represent the ratios for the individual educational institutions, including Argosy University. The reviewers did not review the underlying data and calculations for these projected ratios.

(It is noted also that Argosy University's stand-alone Federal Composite Score for 2016 was 1.8. The scores for Argosy University for 2015, 2014, and 2013 were 1.6, 3.0 and 2.7, respectively).

The reviewers were advised by Argosy University leadership that a pre-acquisition review is being conducted with the U.S. Department of Education (USDE) and that neither DCF nor DC Education Holdings anticipate that DC Education Holdings will be required by the USDE to post a letter of credit as a result of the transaction.

DCF has entered into an operating agreement with DC Education Holdings that outlines the governance and conduct of business of DC Education Holdings. It also includes language on capital contributions from DCF to DC Education Holdings, as well as distribution of assets from DC Education Holdings to DCF. Mr. Brent Richardson has been appointed to the position of CEO and Co-Chairman of DC Education Holdings. As such Mr. Richardson will oversee the day-to-day business and operations of the entity, including its financial affairs. Based on conversations with the senior leadership of DCF and DC Education Holdings, Mr. Richardson will develop a leadership team to oversee the operations of the DC Education Holdings "system." Mr. Richardson has previous experience in higher education, having served until recently as the Chief Executive Officer of Grand Canyon University, a for-profit Christian university located in Phoenix, Arizona. Mr. Richardson is known for building Grand Canyon University, which he acquired in 2004, along with Michael K. Clifford. Mr. Clifford is a former member of the Dream Center's board of directors. The allocation of costs for executive management support and services from DC Education Holdings to Argosy University had not been determined at the time of the team's visit.

A further aspect of the transaction is the creation of Dream Center Education Systems, LLC (DCES), a wholly-owned subsidiary of DC Education Holdings, which will provide system-wide support services to the educational institutions that are part of the DC Education Holdings organization, including Argosy University. DCES is a nonprofit, limited liability company incorporated in Arizona. The non-academic support services to be provided by DCES to Argosy University include marketing, program/institution readiness, IT services, 24 hour/7 days a week technical support, student non-academic support services (including student retention), faculty support services, and consultation services (including global online strategic partnerships, program management, and program funding). This new support services structure is similar to the centralized support services structure currently provided to Argosy University by EDMC. Under a Services Agreement, DCES and Argosy University are to develop a mutually agreed upon statement of work that outlines the services, deliverables, and pricing for the services to be provided by DCES. The initial term of the agreement is for twelve (12) months, allowing the two parties the time to develop agreed-upon performance metrics. As of the team's visit, the exact cost for DCES' services to Argosy University had not been determined/disclosed.

As indicated earlier, all of the entities within the DCF and DC Education Holdings organizational structure are nonprofits. The reviewers asked senior leadership of DC Education Holdings if management were considering the possibility of incorporating a for-profit Outsourced Program Management (OPM) service provider within the overall system structure. Leadership stated that this option was not being considered at the current time, but indicated that they would not rule out this possibility in the future. (CFR 1.7, CFR 3.4, CFR 3.5)

Financial Sustainability

Argosy University has experienced financial challenges in recent years. Total enrollment at the institution has fallen from approximately 39,000 students in 2013 to approximately 25,000 students in 2016, an overall decline of 36%. Total revenue, which is primarily made up of student tuition and fees, has declined from approximately $669.0 million in 2013 to $404.5 million in 2016, a decrease of nearly 40.0%. The university experienced net losses in both FY 2014 ($9.0 million) and FY 2015 ($4.34 million) and the institution's total assets were reduced from $425.1 million in FY 2014 to $342.2 million in FY 2015, a decline of $82.9 million (19.5%). As shown earlier, the University's Federal Composite Score has declined over the recent past few years --- 2.70, 3.00, 1.50 and 1.60 for 2013, 2014, 2015 and 2016, respectively. Some of the decline in the enrollments and associated declines in tuition revenues and fees is likely connected with the general decline in enrollments for the entire adult-education sector, particularly for for-profit colleges and universities.

Senior leadership at Argosy University indicated that a significant factor in the institution's recent financial struggles is related to its connection with its parent organization, EDMC. They argue that EDMC's debt levels (and associated liquidity requirements) and other system-wide financial difficulties, along with EDMC's litigation and regulatory compliance problems, have had an adverse impact on Argosy University's operations, enrollment, and financial performance.

This view of EDMC is supported by recent financial audits, which indicate that EDMC's deteriorating results from operations have created uncertainty as to EDMC's ability to continue as a going concern. This uncertainty has required EDMC and its affiliates to focus in recent years on cost reduction efforts to reduce cash outflows in order to maintain sufficient liquidity to meet EDMC's financial obligations.

Argosy University's leadership believes that the institution's financial health and sustainability will be enhanced significantly as a result of its being part of a new ownership structure under DC Education Holdings:

- Access to additional resources will follow from being released from EDMC's heavy debt burden.

- As a nonprofit organization, Argosy University will be relieved from certain tax obligations, which should result in more funding being available to invest in the institution. The university is anticipating that approximately $1.0 million will become available to the institution on an annual basis as a result of the elimination of various taxes.

- Nonprofit status should permit the institution to be treated as a nonprofit for purposes of the Gainful Employment (GE) regulations. It is also possible that nonprofit status will allow Argosy to be relieved of the 90/10 Rule, allowing it to operate in a much more cost efficient manner.

- As a nonprofit organization, Argosy University will be eligible to apply and compete for government and foundation grants, as well as engage in charitable fundraising activities.

- Nonprofit status should allow Argosy University to enhance its "brand" in the higher education space.

- Leadership anticipates that being part of the DC Education Holdings organizational structure will result in more of the decision-making authority being held at the institutional level, both for the Argosy University Board of Trustees and for management.

Argosy University's Chancellor stated that if the proposed transaction between DCF and EDMC were not successful, the institution would likely face serious operational and financial sustainability challenges going forward. The Chancellor saw this deal as the only real opportunity for Argosy University to get "out from under" the ongoing operational and financial problems associated with EDMC's ownership.

Argosy University has prepared a three-year financial forecast, FY 2017 through FY 2019, operating under the new DC Education Holdings structure. The forecast shows total student enrollments (SSB) progressively declining through FY 2018 (7.5% decline from FY 2017 to FY 2018), then starting to grow in FY 2019 (3.6% increase from FY 2018 to FY 2019). The same pattern is true for total revenue. The "net" from operations declines through FY 2017, but then starts increasing in FY 2018. The forecast provided for the out years of FY 2018 and FY 2019 do not include an allocation for DC Education Holdings corporate overhead expense as well as certain other allocated expenses. It was difficult for the reviewers to fully validate the underlying assumptions for the three-year financial forecast.

As mentioned earlier, it is not totally clear in the information provided if the excess net annual contribution generated by Argosy University will be transferred to DCF and, if excess contribution is to be transferred to DCF, how that amount will be determined. There is documentation that suggests that the amount of transfers will be restricted in the first two years of operations, but there are no stated guidelines regarding this matter after that two-year period.

Argosy University's senior leadership indicated during the visit that the institution intends to remain fundamentally unchanged following the close of the transaction. They indicated that its key leadership team and institutional capabilities would remain the same, including its financial operations (accounting, treasury services, cash management, and credit line management) and the role and responsibilities of the Chief Financial Officer. (CFR 1.7, CFR 3.4, CFR 3.8)

Working with DC Education Holdings, Argosy University plans to develop a fundraising/advancement capability. The fundraising initiative involves engagement of an advancement executive director, alumni director, special events director, grant writer, social events director, and social media technologist, all full-time positions. In addition, the initiative will involve campus community coordinators, as well as student interns. The advancement executive director will report to the Argosy University Chancellor, with a dotted reporting line to the Executive Chairman of DC Education Holdings. The expected return of the institution's investment in the advancement initiative is expected to be as follows: Year 1 - .50x; Year 2 – 1.50x; Year 3 – 3.00x; and Year 4 – 4.00x. A new subcommittee of the Argosy University Board of Trustees will be formed to provide oversight of the initiative, along with the Chancellor and DC Education Holdings Executive Chairman. (CFR 1.7, CFR 3.4, CFR 3.5, CFR 3.6, CFR 3.8)

C. Issue 3: Governance and Executive Leadership

The reviewers were able to meet with most of the key parties involved in Argosy and DCF governance and executive leadership on Wednesday, April 12, 2017. This included meetings with the Argosy and Dream Center Foundation boards, the Argosy Chancellor and the DCF Board CEO, and the senior executives of both organizations, as well as the executive leadership teams that will be handling the transition. The CFO of Argosy University was on vacation and was only able to join the conversations via telephone for part of the time.

Materials reviewed included contracts, financial details, current mission and strategy statements, legal documents, and bylaws. These included materials initially presented by the two institutions at the time of their initial proposal for change of ownership, as well as a series of further materials that the institutions provided in response to the February 27, 2017 Action Report from the Structural Change Committee. Nine additional documents responding to requests from the visit team were received on April 18, 2017, along with a cover letter from the Chancellor of Argosy.

The team also reviewed online materials about mission, vision, and goals from the Dream Center and Dream Center Foundation that were supplemental to the submitted materials. In preparation for the institutional visit the reviewers discussed the Action Report and other materials in detail and prepared a series of questions. The schedule of the day allowed for ample opportunity to engage the two boards as well as senior executives in discussions of the key issues.

Boards and Ownership

The proposal submitted to WSCUC is for a change of ownership for Argosy University from Education Management Corporation (EDMC), the current parent company of Argosy University, to the Dream Center Foundation (DCF), a 501(c)(3) tax-exempt California nonprofit. The change of ownership is governed by the Amended and Restated Asset Purchase Agreement, dated February 24, 2017.

DCF is primarily responsible for funding and supporting the mission of another California nonprofit, the faith-based Dream Center, which includes an affiliate network of some 46 Dream Centers. According to the online description of DCF (dreamcenter.org/about-us/foundation/),

> "What has emerged from [DCF internal] discussion is an amazing opportunity for Dream Center Foundation to acquire 3 university systems from for-profit organization, Education Management Corporation (EDMC) and turn those systems into a community focused not-for-profit educational institutions that will:
>
> - Provide low cost or no cost GED training at each campus in conjunction with participating Dream Centers;
> - Offer academic programs on-site and/or through "on-line" at Dream Centers throughout the world;
> - Provide scholarships for graduates from the network of Dream Centers;
> - Provide pathways and scholarships for higher education for the thousands of volunteers and interns;
> - Connect graduates to jobs through job placement programs at the Dream Center Network and through expanded job placement efforts at each college campus site;
> - Take profits that now primarily benefit shareholders and invest those profits back into each campus and through scholarships to serve prospective students, current students, faculty, staff and the communities served with not only educational opportunities but compassionate service."

The Education Management Corporation (EDMC) and the Dream Center Foundation (DCF) have agreed on terms for the proposed change of ownership, subject to a number of contingencies, including decisions about accreditation from WSCUC and a number of other regional accreditors. The proposed change of ownership has been approved by the Argosy University board and the DCF board. Both boards affirm that the change of ownership is congruent with the mission of their respective institutions. Both also affirm that it is in the long-term interest of their organization to complete the change of ownership.

The institutions have submitted written plans concerning governance and executive leadership during and after the transition. According to the plans, the Argosy board of trustees will continue to function as an independent board as required by the WSCUC Independent Governing Board Policy, approved by the Commission on June 15, 2012 (CFR 3.9). Four current board members of the Argosy board will continue under the new leadership, whereas the board members currently appointed by EDMC will be replaced by board members appointed by DCF. According to the board bylaws, there will be at least one more non-DCF appointed board member than the number of board members who are appointed by DCF.

Members of the Argosy board acknowledged that the current size of the board, seven members, is likely too small. The seven member board of trustees presents challenges to adequately sustain a high-performance committee structure and appropriate oversight as described in WSCUC Independent Governing Board Policy. The Argosy Board of Trustees described plans for increasing the number of members of the Board of Trustees. It is assumed that, after the change of ownership, DC Education Holdings and DCF will have some influence recommending new board members, even though these new members will not be specifically nominated or approved by the DC Education Holdings or DCF leadership.

The DCF board of directors intends "for its wholly owned Argosy system parent limited liability company to keep the Board of Trustees of Argosy fully functional and independent" (Argosy University Change of Ownership proposal). Also, "subsidiary limited liability companies owned by DCF will make the acquisition of Argosy institution assets" (ibid.).

According to the website (dreamcenter.org/about-us/foundation/board-of-directors/), the DCF board currently consists of: Pastor Tommy Barnett, Chairman; Pastor Matthew Barnett, President; Pastor Caroline Barnett, Executive Director; Randall Barton, Managing Director; Danise Jurado, Executive Director of Development; Jack Carey, Treasurer; Brett Grimes, Secretary; and 32 other members.

A new holdings company, Dream Center Education Holdings (DCEH), has been established as the holdings company for Argosy University post-acquisition. DCEH has as its sole member the Dream Center Foundation. According to the Argosy response to WSCUC dated April 3, 2017, the mission of DCEH is "distinct and independent from the mission of DCF." The response continues:

> The President of DCEH is Brent Richardson, former CEO and Executive Chairman of Grand Canyon University. DCEH will be governed by a board that is independent of DCF; only two members of the seven-member DCEH board are affiliated with DCF, Randy Barton (Executive Chairman of DCEH and Managing Director of DCF) and Matthew Barnett (Board Member of DCEH and President of DCF). Mr. Richardson, who is not affiliated with DCF, also will serve as Co-Chairman of the DCEH Board. The Board also will have four (4) members with relevant education experience who have no affiliation with DCF.

Of the three named members of the DCEH board, the professional backgrounds of Mr. Richardson and Mr. Barton are described above. Matthew Barnett is one of the three founders of the Dream Center, along with Tommy and Caroline Barnett. According to the Dream Center website: "Matthew Barnett, New York Times Best Selling Author, and pastor of one of America's fastest growing churches, is one of the most dynamic voices God is using in Christianity today. Son of Pastor Tommy Barnett, best-selling author, church growth pioneer, and founder of what Time Magazine noted as 'One of the three largest churches in America,' Pastor Matthew has learned powerful principles of ministry, which have gifted him in founding The Dream Center in Los Angeles." The other four board members have not yet been appointed.

The fiduciary responsibility for Argosy University before the transition was the legal responsibility of the Argosy Board of Trustees, although EDMC has until now been the owner of the university. After the transition, the new Argosy board will continue its fiduciary responsibility for Argosy University. DCF will then become the owner of the university and its assets. In both cases, since Argosy is the accredited institution, the Argosy board remains responsible for WSCUC standards pertaining to the boards of accredited institutions (see the WSCUC Independent Governing Board Policy and CFR 3.9).

Executive Leadership

An executive leadership team is responsible to its board. The power to employ or to terminate employment of Argosy's Chief Executive Officer (Chancellor) is now held, and will continue to be held, by the Argosy board. The Chancellor is in turn responsible for all management decisions within the organization, including personnel decisions. The Chancellor has assured WSCUC and the review team in multiple documents and discussions that the change of ownership will not change the mission of Argosy. In fact, the documents affirm that there will be *no* changes of personnel pre- and post-transition, except for a small number of EDMC corporate personnel who provide legal, real estate, IT, benefits/payroll, and other non-student services for the university. At the time of acquisition, all current EDMC employees who provide services directly or indirectly to Argosy students will be employed in a division of DCEH (Dream Center Education Services), overseen by Brent Richardson and managed by the current services manager, Chad Garrett. The team is not aware of any documents stipulating the duration of employment of these current EDMC employees following the close of the transaction.

The visit team found competent executive leadership of Argosy University. The Chancellor described a number of changes at the executive level since assuming the position about 18 months before this visit. The management experience and professional competence of the executive leadership of Argosy University were clearly visible in multiple meetings. The visit team found that the executive leadership team exercises appropriate control, responsibility, and accountability for the leadership of the university (CFRs 3.6, 3.7, 3.8). The faculty and deans likewise exercise effective academic leadership (CFR 3.10). The faculty and deans interviewed expressed support for the change of ownership.

A concern was raised about the role of Argosy executive leadership in the details of the transition from University support services being handled by EDMC to support services being offered by DCES. An EDMC representative maintained that EDMC was handling all logistical details pertaining to the transfer of support services so that the Argosy Chancellor will not be "bothered" by them and so that Argosy can "continue its work of being the excellent educational institution that it is." This arrangement raises questions about Argosy's oversight and management of its educational support services, for which it is ultimately responsible (CFR 3.8). The institution has affirmed that the current shared support services will continue following the close of the transaction, with the EDMC employees and systems migrating over to DCES. The duration of employment of EDMC staff that will become DCES employees has not yet been decided.

Observations

All parties concerned recognize that this is a complex change of ownership proposal. Argosy University is a large educational system, consisting of 27 campuses that include, according to the organizational chart provided on April 18, 2017, seven art institutes, the Western State College of Law, and the University of Sarasota. The proposal involves Argosy's transition from a for-profit to a nonprofit educational institution. Approvals from multiple accreditors will be required, and the visit team was told that the finalizing of the sale is contingent on positive responses from each of these accreditors. Argosy University will become an Arizona Nonprofit LLC, the "Dream Center Argosy University of California, LLC," doing business as Argosy University.

The institution acknowledges that, under the ownership of EDMC, Argosy University faced a number of student grievances (CFR 1.6) and other legal actions. For example, the Guideline for CFR 1.6, that "the institution does not have a history of adverse findings against it with respect to violation of policies" regarding financial aid, appears not to have been met during the last few years that the institution was owned by EDMC. There is reason to hope that these issues, which place the university at risk for being out of compliance, will be mitigated and perhaps resolved by the change of ownership, although the time required for reputational recovery may be longer than the estimations given by the institution's leadership.

Despite very extensive review of the materials submitted by the institution, the visit team was not able to ascertain whether or not a number of the WSCUC CFRs will be met by this transaction. The visit team was not able to establish to its satisfaction that, under the new ownership, Argosy University will continue to operate with appropriate autonomy (CFR 1.5). It was also not able to establish that this CFR would not be met. The visit team was not able to establish that Argosy University will have autonomy with regard to the supplier of its support services, DCES. The visit team was not able to establish that the Argosy board will continue to function as an independent board (CFR 3.9), since it cannot ascertain what factors may influence the non-DCF appointed board members in the future. It was also not able to establish that CFR 3.9 will not be met.

Among the factors explored during the WSCUC visit was the extent to which, after the change of ownership, the mission of Argosy University will be influenced by the faith-based mission of the Dream Center. The visit team was repeatedly told that there would be no change of mission or culture post-transition that would shift Argosy's current vision and goals. As grounds, the officers of DCF and DCEH cited the fact that there would be "three degrees of separation" between the faith-based organization, the Dream Center, and Argosy University. It is interesting to note that the co-founder of the Dream Center did not emphasize this separation; instead, he emphasized the multiple ways that Argosy University could help to support the mission of the Dream Center. The visit team notes that, as mentioned above, the co-founder is also the President of the Dream Center Foundation and a Board Member of DCEH.

This issue is not black-and-white. Legally, there are indeed "three degrees of separation" between the Dream Center and Argosy University (DC – DCF – DCEH – Argosy). Yet online documents and some comments made during the visit are more ambiguous. Also, comments by faculty showed that they expect to be training and educating staff and clients from the Dream Centers. In another area of ambiguity, the initial proposal suggested that the excess net contribution from Argosy University would be available to DCF. In a later document, this amount was limited to $1.5M for the first 2 years post-acquisition but not capped after that point. Should the net revenue be used by the DCF board for Dream Center purposes, then the existence of three degrees of separation would be less clear. Hence the visit team was unable to establish that the change of ownership will leave Argosy's mission completely unchanged. It was also not able to establish that the change of ownership will bring about a direct or indirect change of mission, a result that would trigger a Comprehensive Review by WSCUC.

It is difficult to evaluate the team's inability to resolve these matters. In most cases, the culture of nonprofit institutions allows visit teams to quickly resolve these types of questions, including possible scenarios that might arise in the future. By contrast, for-profit institutions, in order to succeed in a competitive environment, understandably need to be more cautious in what information they reveal. But since the parties in the transaction affirm that there will be no change of culture pre-transition and post-transition, even this difference could not be discussed.

The visiting team was thus not able to establish that the institution is "informing the Commission promptly of any matter that could materially affect the accreditation status of the institution" (CFR 1.8), which raises questions of transparency (CFR 1.7). But the review team was also not able to conclusively establish that there exist factors in the proposed change of ownership, including foreseeable indirect consequences, that were not presented and discussed.

D. Issue 4: Transition Planning

In the original proposal (2017-01, Argosy University Change of Ownership.doc), it is reiterated that after the acquisition everything will continue at Argosy University as it currently operates: "The proposed change of ownership will result in a change from for-profit to nonprofit state for AU, but will not result in any change to mission, purpose or strategic plan of AU" (page 3); "…changes at the institution level are minimal…" (page 3); "…this proposed change of ownership will not change AU's direction, focus, or planning" (page 8); "The governance and management structure at each AU campus will remain unchanged" (page 9); "DCF intends to leave the current leadership of AU in place in terms of its day-to-day operations and is committed to continuing A's organizational structure…" (page 9); "There are no plans to hire or terminate individuals (trustees) based on this plan…" (page 9). "There is no anticipated impact to alumni…" (p.10); "There will be no changes in the qualifications of, number of, or compensation for faculty or staff employed at AU subsequent to the change of ownership" (page 10).

The visiting team reviewed the Argosy planning and review documents (Exhibit D_AU Annual Planning and Review Cycle.pdf), which state that there will be no change to the annual cycle of planning and budgeting and no change to the current strategic plan or priorities.

In Argosy University's response to the review teams request on February 27, 2017 for additional documentation following the initial conference call with the review team, university and DCF leadership addressed issues concerning the transition (Argosy Response to WSCUC.pdf). Transition planning was treated in its own section of the document (pages 4-5). Once again, it is stated that the mission, values, and strategic plan of AU will not change as a result of the change in ownership: "AU does not believe there is a need for a transition of culture or otherwise for its faculty, staff, or students" (page 4); and "On the day the transaction closes, all employees will report to work at the same facilities, with same programs, same job duties, same colleagues, and same expectations" (page 5). The WSCUC review team also considered other evidence that was provided through discussions on April 12, 2017 at Argosy University.

The most significant issues in the transition of administrative and student support systems are between EDMC and DCEH, since DCEH will provide the centralized shared services to the university systems post-acquisition that EDMC currently provides. Initially DCEH will rely on many of the EDMC personnel and systems by transferring the employment contracts to DCEH for many of the supporting and administrative staff personnel. Argosy University has been less involved in operationalizing the transition since many of the operational activities are supported by the parent holdings company and are moving from EDMC to DCEH. The visit team received the impression that Argosy University is not fully aware or engaged in the transition planning that will directly impact the educational experience of the students.

There will be challenges in transitioning the EDMC personnel and merging the cultures and practices. The motivations between EDMC and DCF differ in important respects, insofar as EDMC is a for-profit organization and DCF, according to a board member, supports an "inner-city ministry." DCF has no previous higher education experience; its clientele was described as being made up of individuals and families in need, many of whom have experienced traumatic circumstances or events. DCF and the recently created DCEH, which have not previously operated in higher education (although members of the proposed leadership team have higher education experience), will be acquiring an EDMC team of employees associated with a struggling organization. These factors represent significant challenges that could impact the quality and integrity of Argosy's educational mission.

It was acknowledged by Argosy University, DCF, DCEH, and EDMC that this change of ownership is occurring under some time restraints and that in order for the sales transaction to take place expeditiously a number of issues have not yet been resolved. Furthermore, acknowledging and planning for a transition from one type of institution to another would benefit all stakeholders. (CFR 4.2, CFR 4.3, and CFR 4.7)

E. Issue 5: Students, Faculty, and Staff

The supporting documents for this proposed transaction state that there will be no effect on students, faculty or staff, with one exception – that there will be more resources available for their use and success: "… DCEH does not intend to impose new programs or create a new stream of students for The Art Institutes other than providing opportunities for qualified candidates who previously might not have considered or been in a position to enroll and succeed" (DCEH Four Fold Mission.pdf, page 4); "There will be no changes in the qualifications of, number of, or compensation for faculty or staff employed at AU subsequent to the change of ownership" (2017-01, AU Change of Ownership.doc, page 10); "Further, with this structure, Argosy University students, faculty, and staff should not see any change to the support services that are currently provided in whole or in part by EDMC prior to the proposed change" (page 11).

In discussions during the April 12, 2017 visit, DCEH and DCF leadership affirmed several times that there will be more resources available to students and faculty for scholarships through a fully staffed development office, costs savings, and tax benefits. It was reported that these additional revenues – unavailable under the current for-profit structure – will greatly enhance outcomes for students, staff and faculty (Exhibit K. Three Years of Income and Expenses.pdf).

The evidence reviewed raises some questions concerning students, staff, and faculty. For example, there is no discussion of the effects of bringing Dream Center staff, clients, or volunteers into Argosy University, although this possibility was raised during the site visit and mentioned as a benefit in the original proposal from the institution. Should this in fact occur, it might require some changes in admission requirements (CFR 2.2 and 2.14) and additional types of support services (CFR 2.13).

Whether some of the projected new revenues will be made available for staff and faculty was not clear. If there are changes in the types of students enrolling at Argosy University, some additional resources will be necessary for training, updating learning outcomes, and other forms of support for faculty and students.

If the new ownership of Argosy University should result in new student enrollments from some of the Dream Centers, careful attention will need to be given to monitoring the academic readiness and success of these students and the educational effectiveness of the classes and programs in which they enroll. There would also be some impact on needs for student support services, including remediation support, as well as the cultural impacts of integrating these students into the university (CFR 2.2, 2.1). For example, Argosy might need to reexamine student learning outcomes (CFR 2.4) to adjust to changes in the student population. It may also be necessary to modify student success monitoring systems, to offer enhanced tutoring programs, and to develop new mentoring programs if Argosy indeed experiences an increase in new students with different cultural and educational backgrounds (CFR 2.12).

F. Issue 6: Marketing and Enrollment

The reviewers were able to meet with key parties involved in the planning of marketing and enrollment on Wednesday, April 12, 2017. This included meetings with Argosy University's Chancellor as well as Vice Chancellor of Marketing and Vice Chancellor of Admissions. The visit team also met with other related leadership in the support areas of Student Financial Services and Student Services. Numerous documents were reviewed, including enrollment performance reports. In advance of the institutional visit, reviewers had discussed the Action Report and other materials in detail and prepared a series of questions. The schedule for the visit permitted sufficient time to engage with the senior executives and others in discussion of the primary issues.

As reported earlier, Argosy University has been experiencing enrollment challenges in recent years. Since 2013, Argosy University's total student enrollment has declined by approximately 36.0%. Argosy University's forecast indicates that total enrollment will continue to decline through 2018 and then stabilize and begin growing in 2019. Some of the decline is likely explained by the general decline in enrollments throughout the sector, particularly for for-profit colleges and universities. The enrollment decline may also be the result of past coordination and operational challenges between Argosy University and EDMC, as well as reputational damage to Argosy University caused by regulatory compliance difficulties experienced by EDMC-related student financial aid programs.

In discussions during the visit, Argosy University leadership outlined the steps being taken to enhance its marketing efforts. This included a discussion of the University's engagement of Grey and Associates, a strategy consulting firm focused on higher education, which has served to significantly expand the institution's market intelligence capabilities and improved the institution's overall student recruitment outreach. In addition, the institution has in place a strong institutional research function, which has provided effective data analysis for decision making and has contributed to the development of a national strategic plan for marketing that includes both regionally targeted marketing and campus-based marketing. These improved capabilities have permitted the University to begin to focus on new opportunities, such as the expansion of strong programs such as the clinical psychology program to more of its regions. The institutional research is also supporting the development of new certification programs in areas such as counseling, environmental sustainability, geriatrics, addiction, forensics, and cyber security. These programs seek to complement existing degree programs by focusing on providing students with the skills and competencies needed for career success.

The institution appears to have developed sophisticated internal marketing and enrollment functions with increased capabilities in data analysis, ROI analysis, and conversion rate analysis. In addition, the admissions team has been working with each of the schools to develop appropriate messaging so that students are directed to the programs that best serve their educational needs. Admissions leadership affirmed that the institution is more focused now on finding the right fit for students rather than primarily on growing enrollment numbers. They also stated that the student admissions process has become more personalized since Argosy University brought more of the recruitment and admissions functions in-house, in contrast to the previous system in which these services were provided centrally by EDMC.

The marketing and admissions teams believe that the new relationship with DCF and DC Education Holdings will strengthen marketing and enrollment capacities. The advantages include operating as a nonprofit educational institution and distancing Argosy from the reputational issues connected with EDMC. Marketing staff also emphasize that the DCF relationship will provide students opportunities to participate in internships and student placements at clinics and programs operated by DCF such as the Dream Centers.

The marketing and admissions leadership also discussed the history of Argosy University's relationship with EDMC, including the operational and reputational challenges associated with that arrangement and the regulatory compliance difficulties experienced by the two organizations. The leadership commented on its efforts to turn the situation around, develop more effective and appropriate processes, and create a new corporate culture for the organization.

The institution is to be commended for its efforts to build in-house marketing and recruitment functions, and for its increased focus on the fit between educational programs and student needs (CFR 2.2b). The difficulties caused by the damage to Argosy's reputation should not be underemphasized, however. Enrollment projections anticipate an increase in student enrollments by 2019, which is only two enrollment cycles away. It is more typical for the process of rebuilding a brand to take significantly longer. For example, it may take several years for potential students to recognize that Argosy has become a nonprofit educational system. Even though EDMC practices appear to be primarily responsible for the damaging publicity, potential students may not recognize the difference between these two entities.

Negative media coverage of for-profit colleges and universities in general, which fuels concerns about financial aid and the employment prospects of graduates, may continue to affect enrollment numbers even after Argosy has achieved nonprofit status. In addition, the specific charges of false advertising and misrepresentation that have been raised against Argosy in the media and social media will continue to do damage. Although the vast majority of these charges are false, the settlements by EDMC in multiple states may have created the impression of guilt even in areas where none exists.

On the one hand, major investments in marketing and public relations work may need to be made in order to overcome the reputational damage and to stop the rapid enrollment decline. The visit team noted that the significant costs of sustained nation-wide marketing campaigns are not yet reflected in the institution's budgets. On the other hand, aggressive marketing campaigns might tend to reinforce the perception among potential students that Argosy has retained its for-profit culture, even when this perception is inaccurate. In either case, marketing and enrollment will present significant challenges to the institution post-acquisition. (CFR 3.4, CFR 3.6, CFR 4.7)

SECTION III. Commendations, Recommendations, and Conclusion

Commendations

1. Argosy University leadership is to be commended for its proactive efforts in seeking a change in ownership, finding a strategic partner, and successfully managing the vast number of tasks that are entailed by the proposed transition.

2. Argosy leadership has shown the ability to balance expediency and attention to detail. Although under some time pressure, university leadership has prepared highly professional proposals, case statements, and documentation in order to address the legal and accreditation issues raised by a very large and complex acquisition.

3. The Argosy executive team is to be commended for its consistent professionalism and the quality of management it has shown throughout its interactions with WSCUC as its regional accreditor.

4. Argosy is to be commended for its efforts to distance itself from the kinds of practices that were among the allegations made against EDMC. In particular, the University has developed a strong institutional research function, has engaged consultants to improve its recruitment outreach, and has taken concrete steps to develop a student-centered culture both at the system-wide level and at individual campuses.

5. The deans and faculty of Argosy are to be commended for their commitment to the Argosy educational mission. The academic leaders who were interviewed demonstrated a high level of academic excellence and an enthusiasm for student-centered education in their programs and disciplines.

6. The institution is to be commended for its combination of realism and vision, which reflects a deep commitment to the mission and goals for which Argosy University exists.

Recommendations

1. *Mission and strategic planning*: It is recommended that the key stakeholders in the proposed acquisition begin work immediately on outlining a post-acquisition strategy that addresses the distinctive cultural and missional features of each organization involved in the transaction, including Argosy University, the Dream Center Foundation, and Dream Center Education Holdings. The document should provide the basis on which aligned strategic priorities can be developed that serve the educational mission of Argosy University as the accredited institution. This collaborative effort should include alumni, students, faculty, staff, practitioners, community representatives, boards and executive leadership. (CFR 1.1, CFR 1.2, CFR 1.5, CFR 4.5, and CFR 4.6)

2. *Line of credit*: It is recommended that DCF and DC Education Holdings move forward in securing a working capital line of credit for DC Education Holdings as required to

comply with the terms of the credit facility with Najafi Companies. Securing this line of credit is an essential component in completing the proposed transaction. (CFR 3.4)

3. *Letter of commitment (credit facility)*: The term sheet in the Letter of Commitment with Najafi for the credit facility includes only a brief description of the principal terms of the credit facility and could be subject to additional requirements by Najafi Companies in order to finalize terms for a definitive loan agreement. It is recommended that DCF finalize the terms and conditions of the credit facility with Najafi Companies. Scope and terms of the credit facility will not be fully known until definitive loan agreements are completed. (CFR 3.4)
4. *Financing (Richardson Family Trust participation)*: The Najafi Companies have provided the Richardson Family Trust the opportunity to participate in the loan to DCF, *pari passu* with Najafi Companies. The Richardson Family Trust participation is currently not a condition of the credit facility provided to DCF by Najafi Companies. The terms and conditions of such participation need to be defined and documented. Brent Richardson serves as CEO and Co-Chairman of DC Education Holdings. Given Mr. Richardson's executive leadership and fiduciary role in the nonprofit DC Education Holdings organization, the participation of the Richardson Family Trust in the transaction may present potential legal, regulatory compliance, and conflict of interest issues. It is recommended that the terms and conditions of the Richardson Family Trust's participation in the financing of the transaction be clearly defined and that any potential conflicts to be resolved prior to the close of the transaction. (CFR 1.7, CFR 3.4, CFR 3.6)
5. *Service agreement*: The services agreement between Argosy University and DCES does not currently include a statement of work, nor does it stipulate the amount in fees to be paid by Argosy University for the support services that will be provided to the institution. It is recommended that Argosy University and DCES finalize the statement of work and determine the service fees that will be charged and include them in Argosy University's financial planning. (CFR 3.4)
6. *Executive overhead expense agreement*: It does not appear that Argosy University and DC Education Holdings have developed a formal agreement that addresses issues such as the allocation of corporate overhead expenses and other expenses from DC Education Holdings to Argosy University. Argosy University has indicated a commitment from DC Education Holdings to a reduction in such charges when compared to EDMC's corporate expense allocations. It is recommended that Argosy University and DC Education Holdings develop such an agreement. (CFR 3.4)

7. *Gainful Employment (GE) risk exposure*: As reported, the original purchase price for the proposed transaction was reduced to address the potential impact of the GE data on the operations of the educational institutions being acquired, particularly the risk to enrollments. It is recommended that Argosy University and DC Education Holdings incorporate any risk to Argosy University's future enrollment into Argosy University's enrollment planning and financial forecasts. (CFR 3.4)

8. *USDE Financial Responsibility Composite Score*: DCF, DC Education Holdings, and EDMC have been involved in pre-acquisition discussions with US Department of Education. Based on those communications, neither DCF nor DC Education Holdings expects that a letter of credit will be required. It is recommended that DC Education Holdings and Argosy University analyze the implications for the transaction should the USDE actually require a letter of credit. For example, should the requirement be imposed and the transaction close with the letter of credit in place, what would be the potential financial implications on Argosy University's operations. (CFR 3.4)

9. *Argosy University Office of Advancement*: Argosy University and DC Education Holdings have proposed the development of an advancement function within the institution. It is recommended that Argosy University and DC Education Holdings develop an expense and revenue budget for this proposed function and incorporate it into the University's three-year financial planning. (CFR 3.4)

10. *Financial forecast models*: Argosy University has developed a three-year financial forecast. The forecast primarily focuses on the financial operations of Argosy University as a stand-alone entity. It is recommended that DC Education Holdings develop a comprehensive financial forecast for the entire DC Education Holdings enterprise, including the operations of the three education entities as well as the system-wide executive oversight and support services functions. It is further recommended that the Argosy University forecast be updated to reflect the expense allocations from DC Education Holdings to the institution, as well as any funding/capital contributions flowing from DC Education Holdings to the University. The projected expense allocations from DC Education Holdings should include allocations for DCES support services, DC Education Holdings corporate overhead expenses, and any other anticipated expenses. The updated forecast for Argosy University should also include the expected expenses and contributions associated with the advancement initiative. The forecasts should include a comprehensive description of all of the key assumptions. (CFR 1.7, CFR 3.4)

11. *Potential areas of conflicts of interest*: The structure of the transactions and the key parties involved in the transaction introduce the possibility of conflicts of interest. First, the proposed DC Education Holdings system, which is inclusive of three educational entities including Argosy University, will operate nation-wide and potentially internationally. Some of the key parties involved in the transaction have past and potentially current relationships with major competitors in the higher education sector. Second, DC Education Holdings leadership has indicated the possibility that a for-profit OPM service provider could be incorporated into the structure of the enterprise at some future time. This opens up the possibility of there being connections or overlaps in principal parties involved in the nonprofit and for-profit entities. Given these potential areas of conflict of interest, it is recommended that Argosy University and its proposed parent organizations, DCF and DC Education Holdings, carefully examine these potential conflicts of interest and regulatory compliance issues, including compliance with USDE and IRS regulations, before proceeding with any transactions or re-structures. (CFR 1.5, CFR 1.7, CFR 1.8, CFR 3.6, CFR 3.9, CFR 4.7)