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## Minor, Robin

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**From:** Minor, Robin  
**Sent:** Tuesday, June 26, 2018 8:59 PM  
**To:** Jones, Diane  
**Cc:** Frola, Michael; Smith, Kathleen  
**Subject:** Re: Urgent Question

Thanks!

On Jun 26, 2018, at 7:59 PM, Jones, Diane <[Diane.Jones@ed.gov](mailto:Diane.Jones@ed.gov)> wrote:

Hi Robin,  
I will reach out to Barbara tonight.  
Diane

---

**From:** Minor, Robin  
**Sent:** Tuesday, June 26, 2018 3:52 PM  
**To:** Jones, Diane  
**Cc:** Frola, Michael; Smith, Kathleen  
**Subject:** FW: Urgent Question

Diane,

Shelly from Dream Center called Mike and said HLC is not moving on their position to allow the students scheduled to complete by December to graduate from an accredited program. This will affect about 600 of the 2000 students at the HLC schools. Shelly wants to know if we have anyone who can reach out to HLC and try to convince them otherwise before their board meeting this week. You had indicated last week that you were going to call them. Did you have that conversation and if so, did this topic come up? If not, would you deem it appropriate for either you or us to follow up with them on this issue? You can contact Mike if you have any questions regarding their conversation. Thanks.

Robin

## Frola, Michael

---

**From:** Frola, Michael  
**Sent:** Wednesday, June 27, 2018 7:41 PM  
**To:** Holland, Linda; Smith, Kathleen; Minor, Robin; Bennett, Ron; Mangold, Donna; Finley, Steve; Menashi, Steven; Jones, Diane; Riemer, Jeffrey (Justin); Johnson, Wayne; Smith, Kathleen; Bennett, Ron  
**Cc:** Frola, Michael; Smith, Joseph  
**Subject:** DCEH Closure Update

Good evening,

Dream Center has initiated the closure process of 32 Dream Center locations that are expected to operate until December 2018. Please note Dream Center has confirmed they will not be precipitously closing these locations or the locations they plan to continue to operate at this time.

Here is the timeline Shelly from DCEH sent me about notifying states, accreditors, school officials, and students:

06/26th - 29th

Communication of school closures:

- State Postsecondary Boards
- HLC proposal to accredited 12/31/18 Grads
- Regional Accrediting Commissions
- Notice to the Consent Judgment Administrator
- Notice to Campus presidents, enrollment, staff and faculty

07/06

- Student communication and transit to online

This closures comprise 19 Art Institutes, 10 Argosy, and 3 South University locations.

### Listing of Campus Closures by Institution

Art Institutes (19 Locations)	Argosy University (10 locations)	South University (3 locations)
<ul style="list-style-type: none"><li>• The Art Institute of Charleston 009270-04</li><li>• The Art Institute of Charlotte 008878-08</li><li>• Illinois Institute of Art 012584-00</li><li>• The Art Institute of Colorado 020789-00</li><li>• The Art Institute of Colorado 020789-04</li><li>• The Art Institute of Michigan – Detroit 012584-05</li><li>• The Art Institute of Fort Lauderdale 010195-00</li><li>• Harbor Place Building 010195-01</li><li>• The Art Institute of California – Hollywood 021799-38</li><li>• Ai Hollywood (The Shed) 021799-40</li><li>• The Art Institute of Indianapolis 040513-04</li></ul>	<ul style="list-style-type: none"><li>• Argosy University – Dallas 021799-19</li><li>• Argosy University – Denver 021799-30</li><li>• Argosy University – Inland Empire 021799-32</li><li>• Argosy University – Nashville 021799-14</li><li>• Argosy University - Salt Lake City 021799-35</li><li>• Argosy University - UT National Guard Base, SLC 021799-43</li><li>• Argosy University - San Diego 021799-29</li><li>• Argosy University - San Francisco Bay Area 021799-08</li><li>• Argosy University – Sarasota 021799-18</li><li>• Argosy University – Schaumburg 021799-</li></ul>	<ul style="list-style-type: none"><li>• South University – Cleveland 013039-22</li><li>• South University - High Point 013039-23</li><li>• South University – Novi 013039-14</li></ul>

<ul style="list-style-type: none"> <li>• The Art Institute of California – Inland Empire 021799-48</li> <li>• The Art Institute of Tennessee – Nashville 009270-03</li> <li>• The Art Institute of California – Orange County 021799-44</li> <li>• The Art Institute of Philadelphia 008350-00</li> <li>• The Art Institute of Philadelphia 008350-01</li> <li>• The Art Institute of Phoenix 040513-00</li> <li>• The Art Institute of Portland 007819-00</li> <li>• Industrial Design Workshop 007819-02</li> <li>• Culinary Arts Facility 007819-03</li> <li>• The Art Institute of Raleigh – Durham 008878-09</li> <li>• The Art Institute of California – Sacramento 021799-45</li> <li>• The Art Institute of California – San Francisco 021799-43</li> <li>• Illinois Institute of Art – Schaumburg 012584-01</li> <li>• The Art Institute of Washington 009270-02</li> </ul>	<p>21</p> <ul style="list-style-type: none"> <li>• Argosy University – Northern Virginia 021799-03</li> </ul>	
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Once notices go out we can expect some media attention regarding this matter.

Please note (b)(5)

(b)(5)

Thanks,  
Mike

**From:** Frola, Michael  
**Sent:** Wednesday, June 13, 2018 8:07 AM  
**To:** Holland, Linda; Smith, Kathleen; Minor, Robin; Bennett, Ron; Mangold, Donna; Finley, Steve; Menashi, Steven; Jones, Diane; Riemer, Jeffrey (Justin); Johnson, Wayne; Smith, Kathleen; Bennett, Ron  
**Subject:** RE: DCEH DoE Presentations

Sorry, with attachment.

**From:** Frola, Michael  
**Sent:** Wednesday, June 13, 2018 8:06 AM  
**To:** Holland, Linda; Smith, Kathleen; Minor, Robin; Bennett, Ron; Mangold, Donna; Finley, Steve; Menashi, Steven; Jones, Diane; Riemer, Jeffrey (Justin); Johnson, Wayne; Smith, Kathleen; Bennett, Ron  
**Subject:** RE: DCEH DoE Presentations

Good morning,  
Please see attached abbreviate DCEH Presentation that Shelly Murphy sent me last night. Also, please note the additional DCEH requests on slide 19.  
Thanks,  
Mike



---

**From:** Holland, Linda  
**Sent:** Tuesday, June 12, 2018 9:07 AM  
**To:** Smith, Kathleen; Minor, Robin; Frola, Michael; Bennett, Ron; Mangold, Donna; Finley, Steve; Menashi, Steven; Jones, Diane; Riemer, Jeffrey (Justin); Johnson, Wayne; Smith, Kathleen; Bennett, Ron  
**Subject:** FW: DCEH DoE Presentations

See attached.

---

**From:** Frola, Michael  
**Sent:** Tuesday, June 12, 2018 9:05 AM  
**To:** Holland, Linda  
**Subject:** FW: DCEH DoE Presentations

Good morning Linda,  
Please share the attached presentation and Closure Plan with Department staff participating on Thursday's call with Dream Center.  
Thanks,  
Mike

---

**From:** Murphy, Shelly M. [[mailto:\(b\)\(6\)@cedh.org](mailto:(b)(6)@cedh.org)]  
**Sent:** Tuesday, June 12, 2018 12:03 AM  
**To:** Frola, Michael  
**Cc:** Richardson, Brent D.; Shelly Murphy  
**Subject:** Fwd: DCEH DoE Presentations

Hi Mike,

Please find attached DCEH presentation for Thursday's meeting. Please let me know if you have any questions. Looking forward to our discussions on Thursday.

Shelly Murphy  
Dream Center Education Holdings  
Regulatory and Government Affairs

(b)(6)

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## Frola, Michael

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**Sent:** Wednesday, June 27, 2018 7:41 PM  
**To:** Holland, Linda; Smith, Kathleen; Minor, Robin; Bennett, Ron; Mangold, Donna; Finley, Steve; Menashi, Steven; Jones, Diane; Riemer, Jeffrey (Justin); Johnson, Wayne; Smith, Kathleen; Bennett, Ron  
**Cc:** Frola, Michael; Smith, Joseph  
**Subject:** DCEH Closure Update

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Please note (b)(5) [redacted]  
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Thanks,  
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Mike

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**From:** Murphy, Shelly M. (b)(6) [redacted]@dcedh.org]  
**Sent:** Tuesday, June 12, 2018 12:03 AM  
**To:** Frola, Michael  
**Cc:** Richardson, Brent D.; Shelly Murphy  
**Subject:** Fwd: DCEH DoE Presentations

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(b)(6)

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**Riemer, Jeffrey (Justin)**

---

**From:** Riemer, Jeffrey (Justin)  
**Sent:** Sunday, July 8, 2018 8:29 PM  
**To:** Smith, Kathleen; Jones, Diane; Minor, Robin; Frola, Michael; Bennett, Ron; Mangold, Donna; Finley, Steve; Johnson, Wayne; Manning, James  
**Cc:** Holland, Linda  
**Subject:** RE: Dream Center Follow Up Meeting

We are still working to finalize our legal analysis of the issue and to brief Carlos but will be prepared to discuss our thoughts during the next meeting on the issue, with later in the week being preferable.

Thanks,  
Justin

---

**From:** Smith, Kathleen  
**Sent:** Sunday, July 08, 2018 1:29 PM  
**To:** Jones, Diane; Minor, Robin; Frola, Michael; Bennett, Ron; Mangold, Donna; Finley, Steve; Menashi, Steven; Riemer, Jeffrey (Justin); Johnson, Wayne; Manning, James  
**Cc:** Holland, Linda  
**Subject:** RE: Dream Center Follow Up Meeting

Good afternoon all – I am writing to check on status – (b)(5)

(b)(5)

I am asking Linda to reach out and set up a conversation for later this week – phone is fine, happy to host here as well.

Have a lovely day.

Kathleen

---

**From:** Jones, Diane  
**Sent:** Tuesday, July 03, 2018 7:56 PM  
**To:** Smith, Kathleen; Minor, Robin; Frola, Michael; Bennett, Ron; Mangold, Donna; Finley, Steve; Menashi, Steven; Riemer, Jeffrey (Justin); Johnson, Wayne; Manning, James  
**Subject:** RE: Dream Center Follow Up Meeting

I wanted to update everyone on the teach-out plans for the Dream Center schools that are closing. I had a conference call with all of the regional accreditors yesterday, and they have agreed to work together so that Dream Center can develop a single teach-out plan that all can support – as opposed to a different plan for each accreditor. I spoke with the Dream Center this afternoon to convey that message and discuss the details of the teach-out plan, including that we would need to know who all of the partner schools are and the arrangements being made for students who will be

taught out by another school. DCHC will meet with each student to review the options available and to work with the student to develop an individual plan for completion or transfer.

While on that call, DCHC said that they would need to announce the teach-outs immediately. They cancelled all starts scheduled for last week, which has resulted in lots of questions from students and faculty about what is going on. I sent a follow-up email to the accreditors tonight letting all of them know that DCHC wants to announce the teach-out this week and that if any accreditors have concerns about timing, to let me know.

Right now the teach-out plan has the campuses closing on December 31<sup>st</sup>. Hopefully most of the students will want to transfer to online or to another institution so that very few students are taught out in place. (b)(5)

(b)(5)

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(b)(5) we want to make sure these schools go through an orderly teach-out and that students have the best possible chance to complete their programs or transfer to another institution. The accreditors are in agreement about the need to provide students with the best possible options and outcomes.

Diane

-----Original Appointment

**From:** Holland, Linda **On Behalf Of** Smith, Kathleen

**Sent:** Wednesday, June 20, 2018 10:37 AM

**To:** Minor, Robin; Frola, Michael; Bennett, Ron; Mangold, Donna; Finley, Steve; Menashi, Steven; Jones, Diane; Riemer, Jeffrey (Justin); Johnson, Wayne; Manning, James

**Subject:** Dream Center Follow Up Meeting

**When:** Thursday, June 21, 2018 8:30 AM-9:15 AM (UTC-05:00) Eastern Time (US & Canada).

**Where:** UCP - CR#112F3 - (b)(6) part code (b)(6)

**Jones, Diane**

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**From:** Jones, Diane  
**Sent:** Sunday, July 8, 2018 9:42 PM  
**To:** Smith, Kathleen; Minor, Robin; Frola, Michael; Bennett, Ron; Mangold, Donna; Finley, Steve; Menashi, Steven; Riemer, Jeffrey (Justin); Johnson, Wayne; Manning, James  
**Cc:** Holland, Linda  
**Subject:** RE: Dream Center Follow Up Meeting

(b)(5)

HLC was part of the call I referenced in my earlier email and the issues there are worked out, and all of the accreditors have received the teach-out plans as well. Dream Center stopped enrolling students last week and they canceled the starts that were scheduled for this month. They will start the formal announcements of teach-outs this week.

I reminded them last week that Wayne has asked for additional budget information.

Diane

---

**From:** Smith, Kathleen  
**Sent:** Sunday, July 08, 2018 1:29 PM  
**To:** Jones, Diane; Minor, Robin; Frola, Michael; Bennett, Ron; Mangold, Donna; Finley, Steve; Menashi, Steven; Riemer, Jeffrey (Justin); Johnson, Wayne; Manning, James  
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(b)(5) we want to make sure these schools go through an orderly teach-out and that students have the best possible chance to complete their programs or transfer to another institution. The accreditors are in agreement about the need to provide students with the best possible options and outcomes.

Diane

-----Original Appointment

**From:** Holland, Linda **On Behalf Of** Smith, Kathleen

**Sent:** Wednesday, June 20, 2018 10:37 AM

**To:** Minor, Robin; Frola, Michael; Bennett, Ron; Mangold, Donna; Finley, Steve; Menashi, Steven; Jones, Diane; Riemer, Jeffrey (Justin); Johnson, Wayne; Manning, James

**Subject:** Dream Center Follow Up Meeting

**When:** Thursday, June 21, 2018 8:30 AM-9:15 AM (UTC-05:00) Eastern Time (US & Canada).

**Where:** UCP - CR#112F3 - (b)(6) part code (b)(6)



Jones, Diane

---

**From:** Jones, Diane  
**Sent:** Friday, July 20, 2018 9:59 AM  
**To:** Manning, James; Smith, Kathleen; Minor, Robin; Frola, Michael; Bennett, Ron; Finley, Steve; Mangold, Donna; Johnson, Wayne; Riemer, Jeffrey (Justin)  
**Subject:** RE: Dream Center Update

I wanted to provide an update on Dream Center.

#### Accreditors

I had a call with the accreditors early this week to touch base and see how the teach-outs were going. The accreditors provided me with information about additional documents they need as supplement to the teach out plans, as well as other concerns that they collectively want to address with Dream Center where the concerns are shared by all of the accreditors. The list of documents and concerns has been shared with Dream Center and they have been told to provide each accreditor with those documents or a timeline for when they will be provided.

HLC mentioned on the call that they had received a complaint from a student who said that someone who might have been a lawyer addressed the students at one campus, and essentially said that after their HLC site visit, accreditation would be awarded and go back to the date of sale. This is absolutely not the case and Dream Center has been told by both HLC and me that accreditation is pending the results of site visits, which are rigorous and serious, and that IF accreditation is awarded, retroactive accreditation can be extended back only as far as HLC's policies allow (b)(5)

(b)(5)

(b)(5) I told Dream Center that given this student complaint and the inaccurate information provided to the students, they likely need to start preparing for the worst and identifying transfer institutions for each of their students at the two HLC campuses. That should not be difficult in Chicago, but I don't know as much about Colorado. We also reminded Dream Center that they must notify each student of their right to a closed school loan discharge (which was in my written instructions to Shelly back in June) and provide a link to the Department's teach-out page. The Dream Center has been instructed to hold transfer fairs and focus on finding a transfer institution for every student. It appears that two accreditors are having challenges with Dream Center, but the other three are not, although they do need additional documentation about the full teach-out plans and they need to have conversations with the campus leaders and institutional board leaders. The institutions accredited by the other three accreditors are fully accredited.

Last night, Middle States informed me that Art Institutes in Pittsburgh and Philadelphia have been put on show cause. Since Pittsburgh is the on-line campus that has been identified as a transfer option for students at closing institutions, we told Dream Center that they must notify their students that Pittsburgh is on show cause and must identify a different online transfer partner (regionally accredited, in good standing) if they wish to continue offering an online option as part of their teach-out plan. I have also notified the other accreditors that Pittsburgh is on show cause so that the other accreditors can take this into account when reviewing teach-out plans. Dream Center said that they are almost finished identifying transfer institution options for all students and will provide that information to students, us and to their accreditors imminently. SACS told me that the campuses in their region have already provided transfer options to students.

There are no HLC campuses that are continuing schools, and only one Middle States campus (Pittsburgh) that is a continuing school, although now that Pittsburgh is on show cause, continuation is questionable. The other three accreditors accredit a number of continuing schools that the accreditors say provide a high quality education and have strong campus leaders.

#### Future Plans

(b)(5)

We will continue to update you as information becomes available.

Diane

-----Original Appointment-----

**From:** Manning, James

**Sent:** Monday, June 04, 2018 12:04 PM

**To:** Manning, James; Smith, Kathleen; Minor, Robin; Frola, Michael; Bennett, Ron; Menashi, Steven; Finley, Steve; Jones, Diane; Mangold, Donna; Johnson, Wayne

**Cc:** Riemer, Jeffrey (Justin)

**Subject:** Dream Center Update

**When:** Tuesday, June 05, 2018 9:30 AM-10:00 AM (UTC-05:00) Eastern Time (US & Canada).

**Where:** UCP  part code

+ Wayne Johnson

**Riemer, Jeffrey (Justin)**

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**From:** Riemer, Jeffrey (Justin)  
**Sent:** Thursday, August 9, 2018 10:29 AM  
**To:** Jones, Diane; Minor, Robin; Frola, Michael; Smith, Kathleen; Manning, James; Johnson, Wayne  
**Cc:** Mangold, Donna; Finley, Steve  
**Subject:** RE: Dream Center Update  
**Attachments:** DCEH Agreement with ED regarding use of LOC funds (8.9.18 OGC).docx

Diane,

(b)(5)

Happy to discuss remaining issues with you at your convenience so we can get this to them.

Thanks again,  
Justin

---

**From:** Jones, Diane  
**Sent:** Wednesday, August 08, 2018 12:01 AM  
**To:** Riemer, Jeffrey (Justin); Minor, Robin; Frola, Michael; Smith, Kathleen; Manning, James; Johnson, Wayne  
**Cc:** Mangold, Donna; Finley, Steve  
**Subject:** RE: Dream Center Update

This looks great (b)(5)

Thanks,  
Diane

---

**From:** Riemer, Jeffrey (Justin)  
**Sent:** Tuesday, August 07, 2018 8:15 AM  
**To:** Jones, Diane; Minor, Robin; Frola, Michael; Smith, Kathleen; Manning, James; Johnson, Wayne  
**Cc:** Mangold, Donna; Finley, Steve  
**Subject:** RE: Dream Center Update

**CONFIDENTIAL/DELIBERATIVE**

Hello all,

(b)(5)

(b)(5) Please let me know if you have any questions or

concerns.

Thanks,  
Justin

---

**From:** Jones, Diane  
**Sent:** Sunday, August 05, 2018 1:07 PM  
**To:** Riemer, Jeffrey (Justin)  
**Cc:** Johnson, Wayne; Manning, James; Smith, Kathleen; Frola, Michael; Mangold, Donna; Minor, Robin  
**Subject:** Re: Dream Center Update

Thanks so much!  
diane

Sent from my iPhone

On Aug 3, 2018, at 11:06 PM, Riemer, Jeffrey (Justin) <[Jeffrey.Riemer@ed.gov](mailto:Jeffrey.Riemer@ed.gov)> wrote:

Thanks for the update Diane. (b)(5)

(b)(5)

Thanks,  
Justin

---

**From:** Jones, Diane  
**Sent:** Friday, August 03, 2018 6:55 PM  
**To:** Johnson, Wayne; Manning, James; Smith, Kathleen; Frola, Michael; Riemer, Jeffrey (Justin); Mangold, Donna; Minor, Robin  
**Subject:** Dream Center Update

Hi everyone,

(b)(5)

(b)(5) the accreditors and the states are all working with Dream Center to guide these students to a good outcome. I told Dream Center that we now need weekly reports on each campus that show us how many students are left in each program, which transfer or teach-out agreements are formally in place, and how many students have been transferred to those institutions. They must also tell us how many students will be taught out in place and the timeline for each student.

Middle States did a campus visit to the Philadelphia campus yesterday, in follow-up to the show cause. The accreditor shared information about how that went, including what additional documents they needed from Dream Center and what additional actions the campus needed to take, but they have affirmed that accreditation will remain in place through the teach-out. The earliest their board could withdraw accreditation is November, and their policies would allow the accreditation to continue until the end of December to complete the teach out. So Philadelphia will not lose accreditation, but Dream Center still needs to be responsive to Middle States' concerns. (b)(5)

(b)(5)

have asked Dream Center – as has Middle States – what they are doing to ensure that faculty will be there on September 29<sup>th</sup>, and I added in my discussion with Dream Center that if they aren't sure the contracts will be extended, they need to transfer every student to a transfer partner by September 28<sup>th</sup>.

(b)(5)

Dream Center has been told that until the Show Cause is resolved, they cannot use AI online as their teach-out/transfer campus. Their best hope of keeping the online campus accredited is focusing on the students they've got and dealing with some capacity challenges. Adding more students to that campus could threaten the future of the Pittsburgh campus, which is one that they want to maintain since it is the online campus.

I've heard no concerns about the South or the Argosy teach outs.

(b)(5)

Diane

Diane Auer Jones  
Principal Deputy Under Secretary  
Delegated to Perform the Duties of Under Secretary  
U.S. Department of Education  
400 Maryland Ave, SW  
Washington, DC 20202  
202-453-7333  
[Diane.jones@ed.gov](mailto:Diane.jones@ed.gov)

Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act

Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act

Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act



Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act

Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act

Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act

Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act

## Mangold, Donna

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**From:** Mangold, Donna  
**Sent:** Wednesday, August 15, 2018 3:34 PM  
**To:** Riemer, Jeffrey (Justin); Minor, Robin; Frola, Michael; Smith, Kathleen; Manning, James; Bennett, Ron  
**Cc:** Jones, Diane; Johnson, Wayne; Finley, Steve; Muniz, Carlos  
**Subject:** RE: Proposed TPPPA Addendum - Post meeting  
**Attachments:** TPPPA Addendum (Department Final updated - redline)(8.15.18).docx

Based on this morning's meeting, I have made some additional edits in the Addendum. The reasons for the changes:

(b)(5)

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**From:** Riemer, Jeffrey (Justin)  
**Sent:** Wednesday, August 15, 2018 9:51 AM  
**To:** Minor, Robin; Frola, Michael; Smith, Kathleen; Manning, James; Bennett, Ron  
**Cc:** Jones, Diane; Johnson, Wayne; Finley, Steve; Mangold, Donna; Muniz, Carlos  
**Subject:** RE: Proposed TPPPA Addendum

Hi All,

Please see the latest version of the TPPPA addendum (clean and redlined). DCEH is currently reviewing and indicated previously they need to execute them by today.

Thanks,  
Justin

---

**From:** Riemer, Jeffrey (Justin)  
**Sent:** Friday, August 10, 2018 12:58 PM  
**To:** Mangold, Donna; Finley, Steve; Minor, Robin; Frola, Michael; Smith, Kathleen; Manning, James; Johnson, Wayne; Bennett, Ron  
**Cc:** Jones, Diane  
**Subject:** FW: Proposed TPPPA Addendum

FYI.

---

**From:** Riemer, Jeffrey (Justin)  
**Sent:** Friday, August 10, 2018 12:56 PM  
**To:** 'Murphy, Shelly M.'  
**Cc:** Jones, Diane  
**Subject:** Proposed TPPPA Addendum  
**Importance:** High

Shelly,

Please see the attached draft TPPPA with ED's terms for disbursement of any of the LOC funds. Please review and let me know your thoughts.

Thanks,  
Justin

--

J. Justin Riemer  
Deputy General Counsel, Postsecondary Education  
[Jeffrey.Riemer@ed.gov](mailto:Jeffrey.Riemer@ed.gov)  
Phone: 202-453-7063  
Cell: 202-213-7970

Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act

Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act



Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act

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Withheld pursuant to exemption

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of the Freedom of Information and Privacy Act

Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act



Withheld pursuant to exemption

(b)(5)

of the Freedom of Information and Privacy Act

**Riemer, Jeffrey (Justin)**

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**From:** Riemer, Jeffrey (Justin)  
**Sent:** Friday, August 17, 2018 12:37 PM  
**To:** Finley, Steve; Mangold, Donna; Bennett, Ron; Frola, Michael; Minor, Robin  
**Cc:** Jones, Diane; Johnson, Wayne; Manning, James; Smith, Kathleen  
**Subject:** FW: TPPA Amendment  
**Attachments:** TPPA Amedment Sig Pages.pdf; ATT00001.htm; TPPPA Addendum (Department Final updated -clean) (8.15.18) (3)FINAL.docx; ATT00002.htm

Please forward on if I missed anyone.

---

**From:** Murphy, Shelly M. (b)(6) [redacted]@dcedh.org]  
**Sent:** Friday, August 17, 2018 12:08 PM  
**To:** Riemer, Jeffrey (Justin)  
**Subject:** Fwd: TPPA Amendment

Hi Justin,

Please find attached the signatures for the TPPA. Please let me know if you have any questions

Shelly Murphy  
Chief Officer Regulatory and Government Affairs  
Dream Center Education Holdings, LLC  
[Smurphy@dcedh.org](mailto:Smurphy@dcedh.org)  
Cell: (b)(6) [redacted]

Begin forwarded message:

**From:** "(b)(6) [redacted]@lopescapital.com" (b)(6) [redacted]@lopescapital.com>  
**Date:** August 17, 2018 at 8:13:56 AM MST  
**To:** "Murphy, Shelly M. (b)(6) [redacted]@dcedh.org" (b)(6) [redacted]@dcedh.org>  
**Subject:** TPPA Amendment

Shelly:

Here are all of the signature pages for the 13 schools as listed below. Pages are in the order of the schools below. I have also enclosed the final version of the Amendment the Department sent with the work draft removed. Chris

OPE ID	Name of School	Level 1 owner
00747000	Art Institute of Pittsburgh (The)	DC Art Institute of Pittsburgh, LLC
00781900	Art Institute of Portland (The)	The Art Institute of Portland, LLC
00835000	Art Institute of Philadelphia (The)	DC Art Institute of Philadelphia, LLC
00887800	Miami International University of Art & Design	DC Miami International University of Art & Design, LLC
00927000	Art Institute of Atlanta (The)	DC Art Institute of Atlanta, LLC
01019500	Art Institute of Fort Lauderdale (The)	DC Art Institute of Fort Lauderdale, LLC
01258400	Illinois Institute of Art (The)	The Illinois Institute of Art, LLC
01303900	South University	Dream Center South University, LLC
02078900	Art Institute of Colorado (The)	The Art Institute of Colorado, LLC

021171 00	Art Institute of Houston (The)	The Art Institute of Houston, LLC
021799 00	Argosy University	Argosy Education Group, LLC
022913 00	Art Institute of Seattle (The)	The Art Institute of Seattle, LLC
040513 00	Art Institute of Phoenix (The)	DC Art Institute of Phoenix, LLC

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D

13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
14. This Addendum supplements and does not modify or supersede the TPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

*ART INSTITUTE OF PITTSBURGH (THE)*

By: (b)(6)

Title: *INTERIM PRESIDENT*

Date: *AUGUST 16, 2018*

*DC ART INSTITUTE OF PITTSBURGH, LLC*

By: (b)(6)

Title: *Manager*

Date: *16 AUGUST 18*

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: *Chairman/Chief Development Officer*

Date: *16 AUGUST 18*

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

- 13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
- 14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Portland (The)  
 By: (b)(6)  
 Title: Campus President  
 Date: 8-16-18

The Art Institute of Portland, LLC  
 By: (b)(6)  
 Title: Manager  
 Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC  
 By: (b)(6)  
 Title: Chairman/Chief Development Officer  
 Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

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IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Philadelphia (The)

By: (b)(6)

Title: President

Date: 8/17/2018

DC Art Institute of Philadelphia, LLC

By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the institution agree to be jointly and severally liable for the performance of the institution of its obligations under this Addendum.

- 13. The Department reserves the right to amend this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEM within a reasonable time if it exercises its right to amend.
- 14. This Addendum supplements and does not modify or otherwise alter the TPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Services" shall include the Institution.
- 15. For any time period herein that refers to "calendar days" if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effecting the date of the Department's countersignature below:

*Miami International University of Art & Design*

By: (b)(6)

Title: *Institutional President*

Date: *8/17/18*  
*Miami International University of Art & Design, LLC*

By: (b)(6)

Title: *Manager*

Date: *18 AUGUST 18*

Division/Center: *Educational Holdings, LLC*

By: (b)(6)

Title: *Chairman/Chief Development Officer*

Date: *16 AUGUST 18*

The owners of the institution agree to be jointly and severally liable for the performance of the institution of its obligations under this Addendum.



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- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Atlanta (The)

By: (b)(6)

Title: President

Date: 17 August 18

DC Art Institute of Atlanta, LLC

By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.



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IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Fort Lauderdale (The)

By: (b)(6)

Title: CAMPUS LEADER

Date: 8/17/2018

DC Art Institute of Fort Lauderdale, LLC

(b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

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IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Illinois Institute of Art (The)

By: (b)(6)

Title: Institutional President

Date: 8/17/18

The Illinois Institute of Art, LLC

By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

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IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

South University  
By: (b)(6)  
Title: Interim Chancellor  
Date: August 17, 2018

South University  
By: (b)(6)  
Title: Manager  
Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC  
By: (b)(6)  
Title: Chairman/Chief Development Officer  
Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum:

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IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Colorado (The)

By: (b)(6)

Title: President

Date: 8/16/18

The Art Institute of Colorado, LLC

By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

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IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Houston (The)

By: (b)(6)  
Title: Interim Institutional President  
Date: 8/16/18

The Art Institute of Houston, LLC

By: (b)(6)  
Title: Manager  
Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)  
Title: Chairman/Chief Development Officer  
Date: 16 AUGUST 18

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IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

ARGOSY UNIVERSITY  
By: (b)(6)

Title: Chancellor

Date: 8/17/2018

(b)(6)  
By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC  
By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

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IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Seattle (The)

(b)(6)

Title: Campus President

Date: 8-16-18

The Art Institute of Seattle, LLC

(b)(6)

By

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

(b)(6)

By

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.



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IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Phoenix (Ihe)

By: (b)(6)

Title: Interim Campus President

Date: 8-16-2018

DC Art Institute of Phoenix, LLC

By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.



**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.

2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student

who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;

g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;

h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);

4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter

between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as "the CPA Certification." If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department's satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 ("Initial Advance"). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance ("Initial Advance Submission"). Release of the Initial Advance will be contingent upon the Department's counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department's satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission ("Initial Advance Notification"). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department's receipt of the executed Addendums from DCEH, or the Department's issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH's representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds ("Additional Funds Submission");

- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.

13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to “the Purchased Schools” shall include the Institution.
15. For any time period herein that refers to “calendar days,” if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department’s countersignature below.

<Institution Name>

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

<Institution Level One Owner>

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Dream Center Educational Holdings, LLC

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

United States Department of Education

By: \_\_\_\_\_  
For the Secretary  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the

	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</i></b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b><i>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>

	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.

**Rierner, Jeffrey (Justin)**

---

**From:** Rierner, Jeffrey (Justin)  
**Sent:** Friday, August 17, 2018 12:38 PM  
**To:** Finley, Steve; Mangold, Donna; Bennett, Ron; Frola, Michael; Minor, Robin  
**Cc:** Jones, Diane; Johnson, Wayne; Manning, James; Smith, Kathleen  
**Subject:** FW: CPA Engagement Letter  
**Attachments:** DCEH Signed Engagement Letter.pdf; ATT00001.htm

The CPA engagement letter from DCEH.

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**From:** Murphy, Shelly M. [mailto:(b)(6)@dcedh.org]  
**Sent:** Friday, August 17, 2018 11:56 AM  
**To:** Rierner, Jeffrey (Justin)  
**Subject:** Fwd: CPA Engagement Letter

Hi Justin,

Attached is the required CPA engagement letter

Shelly Murphy  
Chief Officer Regulatory and Government Affairs  
Dream Center Education Holdings, LLC

(b)(6)@dcedh.org  
Cell (b)(6)

Begin forwarded message:

**From:** "(b)(6)@lopescapital.com" <(b)(6)@lopescapital.com>  
**Date:** August 17, 2018 at 8:19:02 AM MST  
**To:** "Murphy, Shelly M. (b)(6)@dcedh.org" <(b)(6)@dcedh.org>  
**Subject:** CPA Engagement Letter

Shelly

Attached from Chad is the CPA firm engagement letter as required under the Amendment.

Chris

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CONFIDENTIALITY NOTICE: This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to which they are addressed. If you are not the intended recipient, you may not review, copy or distribute this message. If you have received this email in error, please notify the sender immediately and delete the original message. Neither the sender nor the company for which he or she works accepts any liability for any damage caused by any virus transmitted by this email.



KNUTTE & ASSOCIATES, P.C.

Certified Public Accountants  
7900 S. Cass Avenue  
Darien, Illinois 60561  
(630) 960-3317  
FAX (630) 960-9960  
www.knutte.com

August 15, 2018

Mr. Chad Garrett  
Dream Center Educational Holdings, LLC  
615 McMichael Rd.  
Pittsburgh, PA 15205

Dear Mr. Garrett:

We are pleased to confirm our understanding of the services we are to provide for Dream Center Educational Holdings, LLC.

**INDEPENDENCE AND LICENSE TO PRACTICE IN PENNSYLVANIA**

Knutte & Associates, P.C. is independent of Dream Center Educational Holdings, LLC, is licensed to practice in Pennsylvania, and is a member of the American Institute of Certified Public Accountants.

**SCOPE OF SERVICES**

We will perform an agreed-upon procedures attestation for Dream Center Educational Holdings, LLC. The attestation will be completed in general accordance with the Statements on Standards for Attestation Engagements as established by the American Institute of Certified Public Accountants.

Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. We will perform procedures as follows:

1. Review the Initial Advance Submission and certify the costs included are allowable under the terms of the Addendum to Temporary Provisional Program Participation Agreements for Institutions Owned by Dream Center Educational Holdings, LLC (the "Addendum").
2. Review any Supplemental Advance Submissions and certify the costs included are allowable under the terms of the Addendum.
3. Review any Additional Funds Submissions and certify the costs included are allowable under the terms of the Addendum.

## MANAGEMENT RESPONSIBILITIES

Dream Center Educational Holdings, LLC is responsible for the identification of the assertions and agreed upon procedures, for selecting the criteria, and for determining that such criteria are appropriate for their purposes. In addition, Dream Center Educational Holdings, LLC will disclose to us all known matters contradicting the assertions or agreed upon procedures and any communication from regulatory agencies affecting the assertions or agreed upon procedures. Dream Center Educational Holdings, LLC will make available all records relevant to the assertions and the agreed upon procedures.

## AUDIT PROCEDURES

We will carry out the procedures as enumerated under Scope of Services and report our findings in accordance with the general fieldwork and reporting standards contained in the Statements on Standards for Attestation Engagements as established by the American Institute of Certified Public Accounts.

We are not responsible to determine the differences between the agreed-upon procedures to be performed and the procedures that we would have determined to be necessary had we been engaged to perform another form of attest engagement. The procedures we agree to perform pursuant to this engagement may be more or less extensive than the procedures we would have determined to be necessary had we been engaged to perform another form of engagement.

We will report all findings from the application of our agreed-upon procedures. The concept of materiality does not apply to findings to be reported in our agreed-upon procedures engagement, unless the definition of materiality is agreed to by the specified users. Any agreed-upon materiality will be described in our report.

We will not perform procedures beyond the agreed-upon procedures. However, in connection with the application of agreed-upon procedures, if matters come to our attention by other means that significantly contradict the subject matter or assertions referred to in our report, we will include these matters in our report.

The agreed-upon procedures documentation for this engagement is the property of Knutte & Associates and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulators, including the U.S. Department of Education, pursuant to authority given to it by law or regulation. If requested, access to such audit documentation may be provided under the supervision of Knutte & Associates personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

In the event we are requested or authorized by you or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

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Otherwise, our work is prepared as a result of this engagement of Knutte & Associates by you and the information contained and any opinions expressed therein are solely for your internal use. Other than as stated in this paragraph, Knutte & Associates is not aware that this work is intended to benefit or influence any other party. The agreement can be altered only by an additional written agreement by both you and Knutte & Associates.

#### ADMINISTRATION, FEES, AND OTHER

Mr. Michael J. Knutte, CPA is the engagement partner and is responsible for supervising the engagement and signing the report.

Our report will be intended solely for the use of the audit committees and managements of Dream Center Educational Holdings, LLC.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

We are sensitive to the objective of controlling costs and will cooperate to minimize fees while maintaining quality professional services. Our fees for our professional services for Dream Center Educational Holdings, LLC will be billed at our standard hourly rates. Our invoices are payable in 30 days. These fees are all-inclusive, and there will not be any additional billings for travel, meals, lodging, etc.

#### RISK ISSUES

Because of the importance of oral and written representations to an effective engagement, Dream Center Educational Holdings, LLC releases Knutte & Associates and its current, former or future partners, principals, employees and personnel from any and all claims, liabilities, costs and expenses attributable to a misrepresentation by Dream Center Educational Holdings, LLC management. Further, Knutte & Associates and its current, former or future partners, principals, employees and personnel shall not be liable to Dream Center Educational Holdings, LLC, whether a claim be in tort, contract or otherwise, including Knutte & Associates' own negligence, for any amount in excess of the total professional fees paid by Dream Center Educational Holdings, LLC under this engagement letter, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Knutte & Associates relating to such services. In addition, in no event shall Knutte & Associates and its current, former or future partners, principals, employees and personnel be liable for any consequential, indirect, lost profits, punitive or similar damages relating to Knutte & Associates' services provided under this engagement letter.

In addition, Dream Center Educational Holdings, LLC agrees to indemnify, defend, and hold harmless Knutte & Associates and its current, former or future partners, principals, employees and personnel from any and all claims, liabilities, costs and expenses, including attorneys fees, relating to Knutte & Associates' services under this engagement letter arising from or relating to Dream Center Educational Holdings, LLC's misrepresentations or false or incomplete information provided to us during the engagement, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Knutte & Associates relating to such services.

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In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate judicial resolution and save time and expense of both parties, Dream Center Educational Holdings, LLC and Knutte & Associates agree not to demand a trial by jury in any action, proceeding or counterclaim arising out of or relating to our services and fees for this engagement. Our services shall be evaluated solely on our substantial conformance with the terms expressly set forth herein, including all applicable professional standards. Any claim of nonconformance must be clearly and convincingly shown.

No action, regardless of form, arising out of the services under this agreement may be brought by either party more than two years after the act, event or service that is the subject of such action, without any delay in the running of this period based on the time of discovery of the claim.

As part of our compliance with guidelines set forth by the American Institute of Certified Public Accountants, attached is a copy of our most recent peer review. The peer review program ensures that our Firm is in compliance with, and maintains the standards set forth by, the American Institute of Certified Public Accountants. In addition, we will provide any subsequent peer review reports during the term of this engagement, upon request.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

(b)(6)

Knutte & Associates, P.C.

RESPONSE:

This letter correctly sets forth the understanding of Dream Center Educational Holdings, LLC.

Officer signature:

(b)(6)

Title:

CFO

Date:

8/17/18





First Financial Bank Building  
400 Pine Street, Ste. 600, Abilene, TX 79601  
325.672.4000 / 800.588.2525 / f: 325.672.7049  
www.dkcpa.com

## System Review Report

August 13, 2015

To the Shareholders of  
**Knutte & Associates, P.C.**  
and the Peer Review Committee of the Illinois CPA Society

We have reviewed the system of quality control for the accounting and auditing practice of **Knutte & Associates, P.C.** (the firm) in effect for the year ended February 28, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and an audit of an employee benefit plan.

In our opinion, the system of quality control for the accounting and auditing practice of **Knutte & Associates, P.C.** in effect for the year ended February 28, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. **Knutte & Associates, P.C.** has received a peer review rating of *pass*.

(b)(6)

Certified Public Accountants

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**Rierner, Jeffrey (Justin)**

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**From:** Rierner, Jeffrey (Justin)  
**Sent:** Monday, August 20, 2018 5:25 PM  
**To:** Jones, Diane; Frola, Michael; Bennett, Ron; Smith, Kathleen; Manning, James; Minor, Robin; Johnson, Wayne  
**Cc:** Mangold, Donna; Finley, Steve  
**Subject:** FW: Executed TPPAs  
**Attachments:** Argosy University.pdf; Art Institute Colorado.pdf; Art Institute of Houston.pdf; Art Institute of Phoenix.pdf; Art Institute of Pittsburgh.pdf; Art Institute of Portland.pdf; Art Institute of Seattle.pdf; Art Institute Philadelphia.pdf; DC Art Institute of Atlanta.pdf; DC Art Institute of Ft. Lauderdale.pdf; Illinois Institute of Art.pdf; Miami International University.pdf; South University.pdf

FYI

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**From:** Rierner, Jeffrey (Justin)  
**Sent:** Monday, August 20, 2018 5:21 PM  
**To:** 'Murphy, Shelly M.'  
**Cc:** Mangold, Donna; Finley, Steve  
**Subject:** Executed TPPAs  
**Importance:** High

Hi Shelly,

Please see attached. Can you please confirm receipt?

Thanks,  
Justin

--

J. Justin Rierner  
Deputy General Counsel, Postsecondary Education  
[Jeffrey.Rierner@ed.gov](mailto:Jeffrey.Rierner@ed.gov)  
Phone: 202-453-7063  
Cell: 202-213-7970

**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.

2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student



who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;

- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter

between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as "the CPA Certification." If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department's satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 ("Initial Advance"). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance ("Initial Advance Submission"). Release of the Initial Advance will be contingent upon the Department's counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department's satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission ("Initial Advance Notification"). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department's receipt of the executed Addendums from DCEH, or the Department's issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH's representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds ("Additional Funds Submission");



- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.



- 13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
- 14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

ARGOSY UNIVERSITY  
By: (b)(6)  
Title: Chancellor  
Date: 8/17/2018

By: (b)(6)  
Title: Manager  
Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC  
By: (b)(6)  
Title: Chairman/Chief Development Officer  
Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

United States Department of Education

(b)(6)

By:

For the Secretary

Title:

Date:

8/20/18

*Principal Deputy Under Secretary delegated to perform  
the duties of Under Secretary*

## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department  Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the

	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>

	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.



**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.

2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student

who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;



- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter

between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as “the CPA Certification.” If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department’s satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 (“Initial Advance”). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance (“Initial Advance Submission”). Release of the Initial Advance will be contingent upon the Department’s counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department’s satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission (“Initial Advance Notification”). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department’s receipt of the executed Addendums from DCEH, or the Department’s issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH’s representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds (“Additional Funds Submission”);



- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.

- 13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
- 14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Colorado (The)

By: (b)(6)

Title: President

Date: 8/16/18

The Art Institute of Colorado, LLC

By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

United States Department of Education

(b)(6)

By:

For the Secretary

Title:

Date:

*Principal Deputy Under Secretary delegated to perform  
the duties of Under Secretary*

8/20/18

## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the



	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>

	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.



**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.

2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student

who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;



- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter

between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as "the CPA Certification." If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department's satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 ("Initial Advance"). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance ("Initial Advance Submission"). Release of the Initial Advance will be contingent upon the Department's counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department's satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission ("Initial Advance Notification"). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department's receipt of the executed Addendums from DCEH, or the Department's issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH's representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds ("Additional Funds Submission");



- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.

13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Houston (The)  
By: (b)(6)  
Title: Interim Institutional President  
Date: 8/16/18

The Art Institute of Houston, LLC  
By: (b)(6)  
Title: Manager  
Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC  
By: (b)(6)  
Title: Chairman/Chief Development Officer  
Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

United States Department of Education

By: (b)(6)

For the Secretary

Title: *Principal Deputy Under Secretary delegated to perform the duties of Under Secretary*

Date: 8/20/18



## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the

	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>

	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.

**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.



2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student

who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;

- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter



between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as "the CPA Certification." If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department's satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 ("Initial Advance"). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance ("Initial Advance Submission"). Release of the Initial Advance will be contingent upon the Department's counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department's satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission ("Initial Advance Notification"). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department's receipt of the executed Addendums from DCEH, or the Department's issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH's representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds ("Additional Funds Submission");



- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.

- 13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
- 14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Phoenix (Ihe)

By: (b)(6)

Title: Interim Campus President

Date: 8-16-2018

DC Art Institute of Phoenix, LLC

By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

United States Department of Education

(b)(6)

By:

For the Secretary

Title:

Date:

*Principal Deputy Under Secretary delegated to perform the duties of Under Secretary*

*8/20/18*

## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department  Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the



	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>

	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.

**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

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*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.



2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student

who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;

- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter



between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as "the CPA Certification." If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department's satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 ("Initial Advance"). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance ("Initial Advance Submission"). Release of the Initial Advance will be contingent upon the Department's counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department's satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission ("Initial Advance Notification"). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department's receipt of the executed Addendums from DCEH, or the Department's issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH's representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds ("Additional Funds Submission");

- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.

D

13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

*ART INSTITUTE OF PITTSBURGH (THE)*

By: (b)(6)

Title: *INTERIM PRESIDENT*

Date: *AUGUST 16, 2018*

*DC ART INSTITUTE OF PITTSBURGH, LLC*

By: (b)(6)

Title: *Manager*

Date: *16 AUGUST 18*

*Dream Center Educational Holdings, LLC*

By: (b)(6)

Title: *Chairman/Chief Development Officer*

Date: *16 AUGUST 18*

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

United States Department of Education

(b)(6)

By:

For the Secretary

Title:

*Principal Deputy Under Secretary Delegated to perform*

Date:

*8/20/18*

*the duties of Under Secretary*



## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department  Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the

	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>

	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.

**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.



2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student

who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;

- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter



between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as “the CPA Certification.” If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department’s satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 (“Initial Advance”). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance (“Initial Advance Submission”). Release of the Initial Advance will be contingent upon the Department’s counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department’s satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission (“Initial Advance Notification”). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department’s receipt of the executed Addendums from DCEH, or the Department’s issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH’s representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds (“Additional Funds Submission”);

- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
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- 13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
- 14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

*The Art Institute of Portland (The)*  
 By: (b)(6)  
 Title: Campus President  
 Date: 8-16-18

*The Art Institute of Portland, LLC*  
 By: (b)(6)  
 Title: Manager  
 Date: 16 AUGUST 18

*Dream Center Educational Holdings, LLC*  
 By: (b)(6)  
 Title: Chairman/Chief Development Officer  
 Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

United States Department of Education

(b)(6)

By:

For the Secretary

Title:

Date:

8/20/18

*Principal Deputy Under Secretary delegated to perform the duties  
of Under Secretary*



## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the

	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>



	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.

**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.

2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student



who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;

- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter

between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as “the CPA Certification.” If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department’s satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 (“Initial Advance”). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance (“Initial Advance Submission”). Release of the Initial Advance will be contingent upon the Department’s counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department’s satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission (“Initial Advance Notification”). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department’s receipt of the executed Addendums from DCEH, or the Department’s issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH’s representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds (“Additional Funds Submission”);



- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.

- 13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
- 14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Seattle (The)

(b)(6)

Title: Campus President

Date: 8-16-18

The Art Institute of Seattle, LLC

(b)(6)

By: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

(b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

United States Department of Education

(b)(6)

By:

For the Secretary

Title:

Date:

*Principal Deputy Under Secretary delegated to perform  
the duties of Under Secretary*

*8/20/18*

## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department  Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the



	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
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	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.



**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
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*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.

2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student

who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;



- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter

between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as “the CPA Certification.” If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department’s satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 (“Initial Advance”). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance (“Initial Advance Submission”). Release of the Initial Advance will be contingent upon the Department’s counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department’s satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission (“Initial Advance Notification”). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department’s receipt of the executed Addendums from DCEH, or the Department’s issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH’s representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds (“Additional Funds Submission”);



- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.



- 13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
- 14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Philadelphia (The)

By: (b)(6)

Title: President

Date: 8/17/2018

DC Art Institute of Philadelphia, LLC

By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the institution agree to be jointly and severally liable for the performance of the institution of its obligations under this Addendum.

United States Department of Education

(b)(6)

By

For the Secretary

Title:

*Principal Deputy Under Secretary delegated to perform the*

Date:

*8/20/18*

*duties*

## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department  Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the

	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>

	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.



**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.



2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student

who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;

- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter



between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as “the CPA Certification.” If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department’s satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 (“Initial Advance”). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance (“Initial Advance Submission”). Release of the Initial Advance will be contingent upon the Department’s counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department’s satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission (“Initial Advance Notification”). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department’s receipt of the executed Addendums from DCEH, or the Department’s issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH’s representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds (“Additional Funds Submission”);

- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.

- 13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
- 14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Atlanta (The)

By: (b)(6)

Title: President

Date: 17 August 18

DC Art Institute of Atlanta, LLC

By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.



United States Department of Education

(b)(6)

By:

For the Secretary

Title:

*Principal Deputy Under Secretary delegated to perform  
the duties of*

Date:

8/20/18

## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department  Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the

	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>

	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.

**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.



2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student



who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;

- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter

between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as “the CPA Certification.” If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department’s satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 (“Initial Advance”). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance (“Initial Advance Submission”). Release of the Initial Advance will be contingent upon the Department’s counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department’s satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission (“Initial Advance Notification”). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department’s receipt of the executed Addendums from DCEH, or the Department’s issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH’s representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds (“Additional Funds Submission”);



- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.



- 13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
- 14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Art Institute of Fort Lauderdale (The)

By: (b)(6)

Title: CAMPUS LEADER

Date: 8/17/2018

DC Art Institute of Fort Lauderdale, LLC

By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.

United States Department of Education

(b)(6)

By:

For the Secretary

Title:

Date:

8/20/18

*Principal Deputy Under Secretary delegated to perform  
the duties of Under Secretary*



## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the

	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>

	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.

**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.



2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student



who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;

- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter

between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as “the CPA Certification.” If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department’s satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 (“Initial Advance”). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance (“Initial Advance Submission”). Release of the Initial Advance will be contingent upon the Department’s counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department’s satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission (“Initial Advance Notification”). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department’s receipt of the executed Addendums from DCEH, or the Department’s issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH’s representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds (“Additional Funds Submission”);



- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.

- 13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
- 14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

Illinois Institute of Art (The)

By: (b)(6)

Title: Institutional President

Date: 8/17/18

The Illinois Institute of Art, LLC

By: (b)(6)

Title: Manager

Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC

By: (b)(6)

Title: Chairman/Chief Development Officer

Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum.



United States Department of Education

(b)(6)

By:

For the Secretary

Title:

Date:

8/20/18

*Principal Deputy Under Secretary delegated to perform  
the duties of Under Secretary*

## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the

	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>

	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.

**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.



2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student

who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;

- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter



between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as “the CPA Certification.” If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department’s satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 (“Initial Advance”). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance (“Initial Advance Submission”). Release of the Initial Advance will be contingent upon the Department’s counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department’s satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission (“Initial Advance Notification”). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department’s receipt of the executed Addendums from DCEH, or the Department’s issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH’s representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds (“Additional Funds Submission”);

- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.



- 13. The Department reserves the right to amend this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to amend.
- 14. This Addendum supplements and does not modify or supersede the TPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Period" shall include the Institution.
- 15. For any time period herein that refers to "calendar days" if the day of performance falls on a Saturday, Sunday or other holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

*Miami International University of Art & Design*

(b)(6)

By: *Institutional President*

Date: *8/17/13*  
*DE Miami International University of Art & Design, LLC*

(b)(6)

By: *Manager*

Date: *10 AUGUST 13*

*Prism Center Educational Holdings, LLC*

(b)(6)

By: *Chairman/Chief Development Officer*

Date: *16 AUGUST 13*

The signers of this institution agree to be jointly and severally liable for the performance of this Institution of its obligations under this Addendum.

United States Department of Education

(b)(6)

By:

For:

Title:

Date:

*Principal Deputy Under Secretary delegated to perform  
the duties of Under Secretary*

8/20/18

## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster 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, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state & zip code).  <b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b>	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding 15 day period.  These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the

	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>

	student records after the campus closes.		preceding period.
6.	A roster of all transfer fairs, including the date and time when the fair was held or will be held, the schools that had or will participate, and the number of students who attended.	Department	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.
7.	A copy of the rosters submitted to the Department pursuant to Items 2-4 above <b><i>with all personally identifiable information redacted.</i></b>	Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , on the 15 <sup>th</sup> and 30 <sup>th</sup> day of every month for the preceding period.



**ADDENDUM TO TEMPORARY PROVISIONAL PROGRAM PARTICIPATION AGREEMENTS  
("TPPPAs") FOR INSTITUTIONS OWNED BY DREAM CENTER EDUCATIONAL HOLDINGS, LLC  
("DCEH").**

*Whereas*, in October 2017 and January 2018, DCEH (through its subsidiaries) purchased a number of institutions and additional locations of institutions owned by Education Management Corporation ("EDMC") (hereinafter collectively referred to as "the Purchased Schools");

*Whereas*, the Institution executing this Addendum is one of the Purchased Schools;

*Whereas*, DCEH is in the process of closing a number of the Purchased Schools, both main locations and additional locations (hereinafter collectively referred to as "the Closing Schools");

*Whereas*, the Department of Education ("Department") is holding proceeds that it drew down in May 2018 ("Proceeds") from letters of credit ("LOC") that were provided by EDMC while it owned the Purchased Schools;

*Whereas*, in accordance with the terms of the LOC, the Proceeds may be used by the Department for the teach-out of students enrolled at the Closing Schools at the time of their closure;

*Whereas*, DCEH has represented to the Department that it requires the use of some of the Proceeds to provide for an orderly teach-out of students to avoid a precipitous closure of the Closing Schools; and

*Whereas*, the Department seeks to avoid a precipitous closure of the Closing Schools which could result in significant harm to students and taxpayers;

*Whereas*, the Department has determined that to mitigate risks to the taxpayers and students and avoid a precipitous closure of the Closing Schools, it would be reasonable and prudent to provide some of the Proceeds to DCEH to provide for a teach-out of the students at the Closing Schools, including by facilitating the transfer of students to other schools ("Transfer Schools") to complete their programs;

*Whereas*, the Department has determined that the use of the Proceeds will be subject to certain conditions as hereinafter described; and

*Whereas*, DCEH has represented to the Department that it has already expended in excess of \$17,500,000 for teach-out related expenses.

**Therefore**, DCEH, the Institution and the Department agree to the following terms and conditions:

1. DCEH must use the Proceeds provided by the Department only for the teach-out of students enrolled at the Closing Schools. Any students who will not complete their course of study prior to December 31, 2018 must be transferred to a Transfer School as soon as reasonably possible, based upon how quickly the Transfer Schools can accept them.

2. The following items constitute allowable teach-out expenses, subject to the Department's review for reasonableness and compliance with the terms of this Addendum:
  - a. Except as provided in 3 a. below, gross salaries paid to existing (hired on or before July 1, 2018) full and part-time faculty and financial aid officers, Registrar and Registrar staff, the chief academic officer, academic deans and program directors, campus president, career services staff, library staff, academic advisors, student workers, clerical staff providing direct administrative support to faculty and financial aid officers, and security and janitorial staff at the Closing Schools at a rate not to exceed the rate paid to such person prior to July 1, 2018. Except for the chief academic officer, only Closing School employees are eligible for salary payments;
  - b. Gross amount of retention bonuses paid to existing full and part-time employees listed in Item 2.a., not to exceed 25% of that person's current (as of July 1, 2018) salary and to be paid pro-rata during the operation of the Closing Schools or upon completion of that activity;
  - c. Gross salaries paid to newly hired full and part-time faculty or financial aid officers (hired after July 1, 2018) for purposes of facilitating the teach out, at a rate not to exceed the rate paid to the most recently hired equivalent faculty member or financial aid officer in that position;
  - d. Reasonable Transition and Support Services ("Support Services") for students who are enrolled at any of the Closing Schools as of July 1, 2018 ("Current Students"), including but not limited to services to assist Current Students who wish to transfer to other institutions ("Transfer Schools"). The term "Transfer Schools" does not include any of the Purchased Schools, including online programs provided by the Purchased Schools. Gross salaries for employees directly engaged in providing Support Services shall be included in the allowable payments for Support Services. In the aggregate, payments for Support Services may not exceed \$500,000;
  - e. Payments to Transfer Schools for scholarships for Current Students who enroll and start at the Transfer School no later than February 1, 2019 ("Transfer Scholarship"). Transfer Scholarship payments may not exceed \$5,000 per student unless the difference in the costs for tuition and fees between the Closing School and the Transfer School are greater than \$5,000 for the payment period, in which case the Transfer Scholarship payment may be the smaller of the difference between the tuition and fee charges or \$7,500. Transfer Scholarship payments are to be applied to tuition and fee charges before any Title IV funds for those students, and other than enrolling and starting a program at a Transfer School, DCEH may not attach any other conditions to these payments, including requiring the student to waive any rights (including rights to a discharge of that student's loans), or requiring the student not disclose the existence or the amount of the payment. DCEH must provide appropriate documentation to support its request for Transfer Scholarship payments, as more fully described below;
  - f. Monthly payments to provide daily transportation ("Transportation Services"), or to reimburse Current Students for reasonable daily transportation costs for any Current Student

who transfers to a Transfer School that is further than 25 miles from that student's current Closing School campus, excluding any Current Student who transfers to a fully online program at a Transfer School ("Transportation Costs"). Gross salaries for employees directly engaged in providing Transportation Services shall be included in the allowable payments for Transportation Costs. Transportation Costs do not include airfare or long distance (exceeding 100 miles) rail fare;

g. DCEH may request funds for other expenses directly related to the teach out by submitting a request therefor pursuant to the Initial Advance, Supplemental Advance, or Additional Funds Request procedures set forth in Items 4 through 11 below. The fact that an expense may not be specifically excluded by this Addendum does not mean that the Department will approve such request;

h. Subject to the restrictions in Item 3.d., lease payments for existing campus real estate, buildings, furniture, fixtures, and equipment for the use of that equipment and facilities for use of the premises and any related furniture, fixtures and equipment during the months of August, September and October 2018 only. DCEH may not use funds for rent for any period prior to or after August, September and October 2018. Expenses for any equipment repairs required during that period may be reimbursed only on a case by case basis.

3. In addition to the exclusions set forth above, the Department has determined that the following expenses do not constitute allowable teach-out expenses:
  - a. Except as listed in Item 2.a. salaries paid to DCEH officials not directly employed by the Closing Schools, salaries for senior officials at the Closing Schools who are scheduled to receive severance packages equivalent to, or greater than, 3 months' salary;
  - b. Salaries paid to officials of DCEH or its subsidiaries and affiliates not directly employed by the Closing Schools;
  - c. Any payments to any Board members;
  - d. Severance payments to any personnel;
  - d. Payments to any landlord (not including the lease payment above in Item 2.h.), vendor, service provider, legal counsel, or similar party to resolve any dispute, pay any contract penalties or early termination charges, or to buy-out of any leases, contracts, or other arrangements;
  - e. Any contribution to corporate overhead or general and administrative expenses, including but not limited to taxes, insurance, depreciation, interest, legal, marketing, admissions, accounting, etc.;
  - f. Scholarships or tuition reduction payments or credits for students who continue to be enrolled at any of the Purchased Schools, whether on campus or online;



- g. Payments to outside parties for services other than directly assisting students in a teach-out or transfer to another institution;
- h. Payments for any incentive-based compensation for employees including bonuses (except as specifically described in Item 2.b. above);
4. No later than 5 business days following the execution of this Addendum by DCEH, DCEH will provide an executed letter of engagement of a certified public accountant (“CPA”). The CPA will be responsible for reviewing the Initial Advance Submission, any Supplemental Advance Submission and the Additional Funds Submissions (as defined below and hereinafter collectively referred to as “the Submissions”). The letter of engagement shall incorporate by reference the terms and conditions of this Addendum, and the CPA shall acknowledge therein that the CPA is engaged solely for the purpose of reviewing and certifying allowable costs in the Submissions for the benefit of and to assist the Department; that the Department is an express third-party beneficiary of the engagement; that there is no accountant or other professional, privileged, or fiduciary relationship for the benefit of DCEH or the Purchased Schools; and that the CPA has had no prior or intended future relationship with DCEH, the Purchased Schools, or any affiliated entities or persons. All correspondence between the CPA and DCEH, and all documents and CPA workpapers will be made available for inspection and copying by the Department upon request. Prior to engaging the CPA, DCEH shall secure the Department’s approval of the CPA. The cost of the CPA shall be borne solely by DCEH, and shall not be included as a cost item in any of the Submissions.
5. DCEH shall deliver copies of each Submission to the Department and to the CPA. The Submission shall include a certification from DCEH that the expenses identified on the statement are accurate and complete. The Department and the CPA will jointly determine what kinds of back-up documentation will be required in support of the Submissions. With regard to any request for funds for Transfer Scholarships, the back-up documentation shall include the name and identification number of each student, along with verification that the student has accepted the Transfer Scholarship offer from DCEH, and has enrolled at the Transfer School and begun attendance. For any Transfer Scholarship in excess of \$5,000, the Submission must include support for any amount in excess of \$5,000. This information shall be provided separately from the Student Rosters required in Appendix A.
6. During the course of its review of the Submissions, the CPA may, in the exercise of its professional judgment, request different or additional documentation from DCEH. Within 10 days following the CPA’s receipt of the Submissions, the CPA shall certify the allowable costs determined in accordance with Items 1-3 above. However, the Department’s determination to make any payments is within its sole discretion, and the Department is not bound by the CPA’s certification of the allowable costs. The CPA shall also certify that DCEH is current on its payments to the CPA as the terms for those payments are set forth in the engagement letter

between DCEH and the CPA, or as thereafter modified by agreement of those two parties. The allowable costs certification and the payment certification are hereinafter jointly referred to as “the CPA Certification.” If at any time DCEH is not current on its payments to the CPA, or the CPA otherwise fails or refuses to perform its duties in accordance with the terms of this Addendum, the Department will cease any further release of funds under this Addendum, unless such failure is cured to the Department’s satisfaction.

7. The Department will provide DCEH with an Initial Advance in an amount up to \$10,000,000 (“Initial Advance”). No later than the date that DCEH delivers to the Department the executed originals of this Addendum by each of the Purchased Schools and DCEH, DCEH shall submit to the Department and the CPA the necessary back-up documentation to establish the actual use of the Initial Advance for the purposes and within the limitations set forth in Items 1 -3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that is the beneficiary of the Initial Advance (“Initial Advance Submission”). Release of the Initial Advance will be contingent upon the Department’s counter-signature on the Addendums and review of the Initial Advance Submission submitted by DCEH, and the Department’s satisfaction that the expenses are for allowable costs. The Department will notify DCEH of its approval/partial approval/disapproval of the Initial Advance within 5 business days of its receipt of the Initial Advance Submission (“Initial Advance Notification”). The Initial Advance (or such portion of which is approved) shall be paid within 5 business days following the Department’s receipt of the executed Addendums from DCEH, or the Department’s issuance of the Initial Advance Notification, whichever is later. The Department may provide a Supplemental Advance within 7 business days of transmission of the Initial Advance to account for the difference between the amount of initial expenses reported by DCEH (not to exceed \$17,513,457) and the amount paid in the Initial Advance. Payment of the Supplemental Advance is subject to any additional Departmental review of the Initial Advance Submission and the CPA Certification. DCEH’s representation that it and/or the Closing Schools have already expended in excess of \$17.5 million in teach-out expenses is a material representation upon which the Department has relied in agreeing to pay the Initial Advance.
8. DCEH may submit requests for additional funds after payment of the Initial Advance and, if applicable, Supplemental Advance. Payments for additional funds will be made according to the following terms and schedule:
  - a. The request for additional funds must be supported by documentation to establish that DCEH has expended funds in addition to the Initial Advance for the purposes and within the limitations set forth in Items 1 - 3 above, and must include a certificate of that compliance signed by an authorized representative of DCEH and a representative of any individual school that will be the beneficiary of the additional funds (“Additional Funds Submission”);



- b. The Department will notify DCEH of its approval/partial approval/disapproval of the Additional Funds Submission within 5 business days following the Department's receipt of the CPA Certification ("Additional Funds Notification"). The Additional Funds Submission (or such portion of which is approved) shall be paid within 5 business days following the Department's issuance of the Additional Funds Notification;
  - c. DCEH may not submit an Additional Funds Submission more often than once every 14 calendar days, and no individual Additional Funds Submission may exceed \$4,000,000;
  - d. The final Additional Funds Submission shall be submitted no later than March 30, 2019;
  - e. The Department may withhold any approved final payment pending receipt of close-out audits for the Closing Schools; and
  - f. The Department's decision to approve/deny/partially approve any Additional Funds Submission is final, and is not subject to appeal or reconsideration; however, the Department, in its sole discretion, may request additional or different documentation in regard to all or any portion of the Additional Funds Submission.
9. Payments made under this Addendum by the Department to DCEH for the benefit of the Closing Schools shall not exceed \$50,000,000 in the aggregate, to include the Initial Advance.
10. DCEH acknowledges that any funds advanced or paid to DCEH in accordance with the terms of this Addendum are part of the Proceeds from the LOC that the Department drew down in May 2018. In the event the Department is required by court order to return all or any portion of the Proceeds, or is adjudged liable for damages as a result of the payments made under this Addendum, upon demand from the Department, DCEH and the Purchased Schools must pay the Department an amount equal to the funds advanced or paid by the Department to DCEH. This payment must be made within 30 calendar days of the Department's demand, without offset or other reduction. DCEH and the Purchased Schools agree that the demand may also include a demand for reimbursement to the Department for any costs and expenses related to the Department's defense of any action filed to seek return of the Proceeds advanced or paid to DCEH or the Closing Schools. A failure to timely make the payment and/or the reimbursement shall constitute a liability owed to the Department by DCEH and the Purchased Schools.
11. In addition to the back-up information required to support the Submissions, DCEH and the Closing Schools shall provide additional reports and information to the Department as requested by the Department. At a minimum, that information will include the items set forth in Appendix A. A failure to timely submit any information requested by the Department, whether pursuant to the schedule in Appendix A or requested separately, will constitute a material breach of this Addendum.
12. DCEH and its campus leaders must provide students with accurate information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access student records after the campus closes.

- 13. The Department reserves the right to cancel this Addendum in writing at any time, without any notice, and for any reason. The Department will notify DCEH within a reasonable time if it exercises its right to cancel.
- 14. This Addendum supplements and does not modify or supersede the TPPPA entered into between the Institution and the Department. The Institution agrees that all references herein to "the Purchased Schools" shall include the Institution.
- 15. For any time period herein that refers to "calendar days," if the day of performance falls on a Saturday, Sunday or legal holiday, the time for performance continues to run until the next business day.

IN WITNESS WHEREOF

The parties hereto have caused this Addendum to be executed by their duly authorized representatives, effective the date of the Department's countersignature below.

South University  
By: (b)(6)  
Title: Interim Chancellor  
Date: August 17, 2018

South University  
By: (b)(6)  
Title: Manager  
Date: 16 AUGUST 18

Dream Center Educational Holdings, LLC  
By: (b)(6)  
Title: Chairman/Chief Development Officer  
Date: 16 AUGUST 18

The owners of the Institution agree to be jointly and severally liable for the performance of the Institution of its obligations under this Addendum:

United States Department of Education

(b)(6)

By

For the Secretary

Title:

Date:

*[Signature]*  
Principal Deputy Under Secretary delegated to perform  
the duties of Under Secretary

8/20/18

## Appendix A

The following documents must be submitted to the Department (and other entities as indicated below) by DCEH and the Closing Schools on the schedule set forth below:

1	All executed teach-out plans, teach-out agreements, transfer agreements, articulation agreements, and document retention plans.	Department Accreditors  State higher education authorizing agencies	Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15 <sup>th</sup> , updated on the 15 <sup>th</sup> and 30 <sup>th</sup> of each month.
2	<p>A roster of all students enrolled at the Closing Schools as of July 1, 2018. The roster must contain the following information: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only, online only, or both on-campus and online), program start date, anticipated completion date, current enrollment status (withdrawn, leave of absence, campus teach out, transfer to another school), 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b><i>Note: this information must be submitted in Microsoft Excel format and sent by encrypted electronic transmission</i></b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of those schools.</p>
3	A roster of all students who will complete their program of study at a Closing School (i.e., students who are	Department	Upon DCEH's delivery of the executed Addendum to the



	<p>not transferring), with the anticipated completion date. The roster should include: student name, 4 digit SSN, DOB, student address (divided into 4 fields by street address, city, state &amp; zip code), telephone number, email address, program of study, current courses, educational delivery method (on-campus only or both on-campus and online), program start date, anticipated completion date, 8 digit OPEID, educational location (divided into 4 fields by street address, city, state &amp; zip code).</p> <p><b>Note: this information may be included in the spreadsheet required by Item 2 above and should be transmitted in the same format.</b></p>		<p>Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding 15 day period.</p> <p>These rosters must be updated to indicate what students have changed their enrollment status, and for those that have transferred to other schools, the identification of the Transfer School(s).</p>
4.	<p>A roster of all students who have accepted the Transfer Scholarship and copies of all transfer agreements entered into with such students.</p> <p><b>Note: this is in addition to any information required by the CPA or the Department to provide back-up for any Submission requesting funds for Transfer Scholarships.</b></p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the preceding period.</p>
5.	<p>A copy of all communications provided to students with information about the teach-out plan, the planned date of the campus closure, the accreditation status of each campus, all education and job placement services available to students during and after the campus closure, and information about how to access</p>	Department	<p>Upon DCEH's delivery of the executed Addendum to the Department, and beginning on September 15<sup>th</sup>, updated on the 15<sup>th</sup> and 30<sup>th</sup> day of every month for the</p>