BROWN MACKIE COLLEGE QUAD CITIES℠

2119 East Kimberly Road, Bettendorf, IA 52722, (563) 344- 1500

Brown Mackie College – Quad Cities is approved and registered by the Iowa College Student Aid Commission (ICSAC) under the authority of Chapters 261 and 261B of the Iowa Code (200 10th Street, 4th Floor, Des Moines, IA 50309-3609, 1.877.272.4456, http://www.iowacollegeaid.gov/)

Accredited by the Accrediting Council for Independent Colleges and Schools

ENROLLMENT AGREEMENT. This is a legal contract.

Name: ______________________________ Student ID # ______________

Street ______________ City ______________ State ______________ Zip ______________

Phone ______________________________ email: ______________________________

I hereby enroll at BROWN MACKIE COLLEGE – QUAD CITIES ("the College") for the following time period and program of study noted below:

☐ Morning ☐ Afternoon Start date: ______________ month/day/year

☐ Evening End date: ______________ month/day/year (anticipated)

TUITION AND FEES

Check	Program	Program Credits/ Quarters	Tuition/ Credit hr	Gen Fee/ Credit hr	Total Tuition	Total Gen Fee	Tuition Cost of Program *
	Accounting- Diploma	48/4	$314	$20	$15,072	$960	$16,032
	Business - Diploma	48/4	$314	$20	$15,072	$960	$16,032
	Medical Assistant - Diploma	60/5	$314	$20	$18,840	$1,200	$20,040
	Medical Coding and Billing - Diploma	48/4	$314	$20	$15,072	$960	$16,032
	Accounting Technology – Associate of Applied Science	96/8	$314	$20	$30,144	$1,920	$32,064
	Business Management - Associate of Applied Science	96/8	$314	$20	$30,144	$1,920	$32,064
	Criminal Justice - Associate of Applied Science	96/8	$314	$20	$30,144	$1,920	$32,064
	Health Care Administration - Associate of Applied Science	96/8	$314	$20	$30,144	$1,920	$32,064
	Information Technology - Associate of Applied Science	96/8	$314	$20	$30,144	$1,920	$32,064
	Occupational Therapy Assistant - Associate of Applied Science	96/8	$381	$20	$36,576	$1,920	$38,496
	Paralegal - Associate of Applied Science	96/8	$314	$20	$30,144	$1,920	$32,064

*The displayed tuition cost of program is reduced by the credit hours successfully transferred into your program of study, either from an outside institution or from a previous enrollment, and assumes you pass all program courses as you attempt them. Tuition cost of program includes tuition, general fees, and technical fees. Tuition and fees are subject to increases.

Textbooks will be delivered in digital form and requires a technology kit purchased from Brown Mackie College – Quad Cities or from outside resources. In the event a digital textbook is not available for a course, Brown Mackie College – Quad Cities will substitute a physical textbook out of the college store at no additional charge.

Students needing transitional courses will be charged the following in addition to the program costs listed above.

SSE0050 Fundamentals of English...................................... **$1,336.00**
Tuition.. $1,256.00
Fees.. $ 80.00

SSE0070 Fundamentals of Math **$1,336.00**
Tuition.. $1,256.00
Fees.. $80.00

Technology Kit** $ 650.00 (State and Local Tax included)

☐ I have opted out of the Technology Kit and understand I am responsible for supplying a compatible iPad (2nd generation or later) in order to download digital text within 15 days following the above Start Date. The Technology Kit is an institutional charge and is not included in the total program costs. The Technology Kit may be purchased from the College Store, or I may obtain a compatible iPad (2nd generation or later) from other outside resources

**Technology kit is an institutional charge and is not included in the total program costs. The technology kit may be purchased from the College Store. Compatible technology may be purchased from other outside resources.

Supplies are a separate institutional charge and are not included in the total program costs. Supplies may be purchased from Brown Mackie College – Quad Cities.

Allied health students may incur additional expenses for required immunizations. The number and type of immunizations may vary, depending on state and local requirements. Some of the immunizations may have been administered to the student at an earlier date, for which the student must provide proof of immunization. The estimated cost for obtaining the immunizations is $300 - $750. Check with your program administrator for specific immunization requirements.

HOLDER IN DUE COURSE:

ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF, RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

GENERAL PROVISIONS

As a student of the College, I understand that I will be entitled to the privileges and bound by the conditions below:

Career Services: I understand that individual job search assistance is available to me - at no additional cost - by the Career Services Department of the College to students and graduates in good standing. I further acknowledge that no representative of the College has guaranteed me employment in a particular job or salary range upon graduation.

Instruction: I understand that I will receive instruction in English, in lecture and laboratory formats. Instruction will be delivered by qualified instructors of the College.

Cancellation: A full refund will be made to any student who cancels the enrollment contract by submitting notice in writing within 6 days (until midnight of the sixth day excluding Saturdays, Sundays and legal holidays) after the enrollment contract is signed. When enrollment is cancelled, all monies paid to the College will be refunded to the applicant.

Renewal of Enrollment Agreement: I understand and agree that although this agreement is executed for a period of only one (1) quarter, my enrollment at the College for subsequent quarters shall constitute a renewal of the terms of this agreement **except for the tuition charge and fees, which may be subject to change with at least one quarter's notice to students.**

Because of the many changes that may occur, in both business and education, it is impossible to guarantee longstanding tuition and fee charges. The College, therefore, reserves the right to modify tuition and other charges upon sufficient notice to students and appropriate agencies. It is the responsibility of the student to remain apprised of the status of his or her account.

Consumer Information: See bmcprograms.info for program duration, tuition, fees, and other costs, median debt, federal salary data, alumni success, and other important info.

REFUND POLICY

Return of Federal Title IV Aid

In compliance with Federal regulations, the College will determine how much Federal student financial assistance the student has earned or not earned when a student withdraws from school.

The College will calculate the percentage and amount of awarded Federal student financial assistance that the student has earned if the student withdraws up through the 60 percent point of the term. If the student has completed more than 60 percent of the term, the student earns 100 percent of the Federal student financial assistance.

The amount earned will be based on the percentage of the term that was completed in days up to and including the last date of attendance. To calculate the amount earned, the College will determine the percentage by dividing the number of calendar days completed in the term up to and including the last date of attendance by the total number of calendar days in the term.

If the student received more than the amount of Federal student financial assistance earned, the difference will be returned to the Federal student financial assistance programs from which funds were received in the following order: Federal Unsubsidized Loan, Federal Subsidized Loan, PLUS Loan, Pell Grant, ACG, SEOG. Funds will be returned to the aid source within 45 days of the date that the College determines that the student has withdrawn.

If more Federal student financial assistance has been earned than has been received, the student may be eligible for a post-withdrawal disbursement. The College will notify the student of any post-withdrawal disbursement for which the student may be eligible and what steps need to be taken for the Federal financial assistance funds to be received.

If Federal student financial assistance funds need to be returned, the institution must return a portion or all of the unearned funds equal to the lesser of:

- The institutional charges multiplied by the percentage of the unearned Federal student financial assistance funds; or
- The entire amount of unearned funds.

If there are remaining unearned Federal financial aid funds to be returned, the student must return any loan funds that remain to be returned in accordance with the terms and conditions of the promissory note. If the remaining amount of funds to be returned includes grant funds, the student must return any amount of the overpayment that is more than half of the grant funds received. The College will notify the student as to the amount owed and how and where it should be returned.

Adjustment of charges

In accordance with school policy, if a student withdraws from school, the College will earn tuition and fees as follows, based on the percentage of the term completed in which the student withdraws:

If the student is not accepted, all monies paid in advance shall be refunded. If the student is accepted and then cancels before classes begin, all tuition paid in advance shall be refunded.

Any student who begins classes and then withdraws, or is terminated by the institution, prior to the end of any quarter will be refunded tuition and fees on the following basis. If the last date of attendance is:

- During the first 5% of the quarter, a refund of 95% of the quarter's tuition, and fees;
- More than 5% of the quarter up to 10% of the quarter, a refund of 90% of the quarter's tuition, and fees;
- More than 10% of the quarter up to 20% of the quarter, a refund of 80% of the quarter's tuition, and fees;
- More than 20% of the quarter up to 25% of the quarter, a refund of 75% of the quarter's tuition, and fees;
- More than 25% of the quarter up to 30% of the quarter, a refund of 70% of the quarter's tuition, and fees;
- More than 30% of the quarter up to 40% of the quarter, a refund of 60% of the quarter's tuition, and fees;
- More than 40% of the quarter up to 50% of the quarter, a refund of 50% of the quarter's tuition, and fees;
- More than 50% of the quarter up to 60% of the quarter, a refund of 40% of the quarter's tuition, and fees;
- More than 60% of the quarter or thereafter, 100% tuition obligation, no refund available with all fees retained.

The student's last date of attendance (LDA) is used to determine the refund due. Refund provisions apply only to complete withdrawal from the College. Students who withdraw from the College should contact the Student Financial Services Department for advising and information concerning loan repayment.

If kits, components of the kit, books, or supplies are returned to the college store in re-saleable condition within 21 days of withdrawal, a credit will be given.

Examples of the calculations for this policy are available in the Student Accounting Office.

Financial Obligations: I understand that I am personally responsible for all tuition, fees and other charges arising from and during my enrollment at the College. I understand that it is my personal obligation to pay all tuition, fees, and other charges when due. If I do not pay the full amount of any scheduled payment when that payment is due, I may not be permitted to continue my studies. If I am not able to continue my studies, I understand that I am responsible for any outstanding tuition, fees or other charges due in accordance with the College's refund policy. I understand that my academic transcript will not be released to me or to any other individual requesting my transcript if there is a balance due to the College. In addition, if I choose to re-enroll at the College, I must satisfy any outstanding tuition, fees, or other charges prior to my re-enrollment. I understand that any student financial assistance made available to me may not completely cover my tuition, fees, and other charges and I understand that any tuition, fees, and other charges not paid by financial assistance is my personal financial obligation. I accept that, to the extent permitted by law, I am responsible for all reasonable collection agency and attorney fees incurred in attempting to collect my unpaid debt to the College.

Payment Plan and Schedule

Each quarter's tuition and fees will be due based on a negotiated payment plan in dollar amounts as needed for balances not covered with federal, state, or other aid. Payments will be due on either the 1st or 15th of each month, per the student preference. Students must remain current on their negotiated payment plan to remain in good standing with the College.

If payment is not made on the due date, the student may be suspended from class until the payment is made. No grade reports or transcripts will be issued to a student with a past due account.

Official Withdrawal: To officially withdraw, the student will need to notify the Registrar's Office. The registrar will assist the student to complete the withdraw process and will determine the last date of attendance and the date of determination. The date of determination would be the earlier of the date the student begins the school's withdrawal process or the date the student provides notice. For students who unofficially withdraw, the Registrar will determine the last date of attendance using attendance records.

NON- DISCRIMINATION POLICY

Brown Mackie College – Quad Cities does not discriminate or harass on the basis of race, color, national origin, sex, gender, sexual orientation, disability, age, religion, genetic marker, or any other characteristic protected by state, local or federal law, in our programs and activities.

When a complaint is reported under the Student Grievance Procedure for Internal Complaints of Discrimination and Harassment that discrimination or harassment is believed to have occurred, Brown Mackie College – Quad cities will promptly and equitably investigate the claim or complaint.
The following person has been designated to handle inquiries and coordinate the school's compliance efforts regarding the Non-Discrimination Policy: Dean of Academic Affairs, 2119 East Kimberly Road, Bettendorf, IA 52722, (563) 344-1500.

Student Right To Know

Information on graduation/completion rates for first-time, full-time students is available on the Institution's Student Consumer Information page or you may obtain a hard copy through the Admissions Office. These rates are calculated according to guidelines in the "Student-Right-To-Know" Act.

According to regulations published by the Department of Education the retention rates of certificate or degree seeking first time, undergraduate students must be made available to all enrolled students and prospective students. You may obtain this information in the Admissions Office.

According to regulations published by the Department of Education, student body diversity, including the percentage of enrolled, full-time students is available through the Admissions Office.

ACKNOWLEDGEMENTS

I understand that the College reserves the right to make changes in program content, materials, or schedules as it deems necessary. The College further reserves the right to discontinue my training for unsatisfactory progress or attendance, non-payment of tuition or fees, or failure to comply with the College's policies and procedures.

I understand that my tuition charges are for the right to attend classes in which I am enrolled and are in no way contingent upon my satisfactory academic progress, personal satisfaction, or attainment of employment upon graduation.

I understand that the College reserves the right to modify tuition and other charges upon sufficient notice to students and appropriate agencies.

I have received the link to the College's academic catalog and bulletin. I have read and understand this enrollment agreement and I acknowledge receipt of an exact copy of the same. I understand that this agreement contains all the terms of my enrollment and acknowledge that no verbal statements have been made contrary to what is contained in this agreement.

My signature below certifies that I have read, understood all aspects of this agreement, and agreed to my rights and responsibilities, and that the College's cancellation and refund policies have been clearly explained to me. It also affirms that I have received an exact copy of this agreement.

____

Applicant Signature **Date**

____

Signature of parent (if applicant is under 18 years old) **Date**

____

Admissions Representative Signature **Date**

____

Accepted by Official of the College **Date**

STUDENT COMPLAINT PROCESS

In order to provide an effective and equitable means of resolving student complaints, a process is available to any student who believes that the College decision, action, or policy has unfairly and adversely affected his or her status, rights, or privileges as a student. In most cases, a complaint can be resolved at the College level. Faculty and staff are available to guide students in completing their programs, and students must be aware of those resources to whom issues and concerns should be addressed. These are as follows:

Faculty	Resolution of academic concerns pertaining to individual courses (as grades, assignments, attendance, etc.)
Department Chair/Program	Unresolved academic issues pertaining to the student's program (as program Administrator objectives, curriculum, graduation requirements, licensure examinations, faculty, etc.)
Academic Affairs Office	Unresolved issues pertaining to faculty, curriculum, grades, attendance, change of program, transfer of credit, graduation requirements, withdrawal, and personal issues which may impact the student's education
Office of the Registrar	Resolution of issues involving course scheduling and obtaining transcripts
Student Financial Services Department	Resolution of issues involving loans, grants, deferments, verification, federal funding, and consequences of withdrawal
Student Accounting Office	Resolution of issues involving the status of the student's account and issues of billing (as monthly payments, book returns, financial arrangements, fees, etc.)
Office of Career Services	Full-time and part-time employment assistance, employment correspondence, and related employment services
Campus President	Resolution of an issue in any area above which remains unresolved by the employee to whom the issue has been properly addressed
Group Vice President	Resolution of issues unresolved through the campus's complaint and resolution process.

However, a student who believes that his or her complaint remains unsatisfactorily resolved by the College may refer the complaint to the appropriate office below:

State Agency: Brown Mackie College – Quad Cities is approved and registered by the Iowa College Student Aid Commission (ICSAC) under the authority of Chapters 261 and 261B of the Iowa Code (200 10th Street, 4th Floor, Des Moines, IA 50309-3609, 1.877.272.4456, http://www.iowacollegeaid.gov/)

Accrediting Agency: Brown Mackie College — Quad Cities is accredited by the Accrediting Council for Independent Colleges and Schools to award bachelor's degrees, associate's degrees and diplomas. The Accrediting Council for Independent Colleges and Schools is listed as a nationally recognized accrediting agency by the United States Department of Education and is recognized by the Council for Higher Education Accreditation. ACICS can be contacted at 750 First Street NE, Suite 980, Washington, D.C. 20002. Telephone: 1.202.336.6780.

ARBITRATION

Every student and Brown Mackie College agrees that any dispute or claim between the student and Brown Mackie College (or any company affiliated with Brown Mackie College, or any of its officers, directors, trustees, employees, or agents) arising out of or relating to a student's enrollment or attendance at Brown Mackie College, whether such dispute arises before, during, or after the student's attendance and whether the dispute is based on contract, tort, statute, or otherwise, shall be, at the student's or Brown Mackie College's election, submitted to and resolved by individual binding arbitration pursuant to the terms described herein. This policy, however, is not intended to modify a student's right, if any, to file a grievance with any state educational licensing agency.

Either party may elect to pursue arbitration upon written notice to the other party. Such notice must describe the nature of the controversy and the remedy sought. If a party elects to pursue arbitration, it should initiate such proceedings with JAMS, which will serve as the arbitration administrator pursuant to its rules of procedure. JAMS can be contacted as follows: **JAMS, 45 Broadway, 28th Floor, New York, NY, 10006,** www.jamsadr.com**, 800-352-5267.** This provision does not preclude the parties from mutually agreeing to an alternate arbitration forum or administrator in a particular circumstance. If either party wishes to propose such an alternate forum or administrator, it should do so within twenty (20) days of its receipt of the other party's intent to arbitrate.

Brown Mackie College agrees that it will not elect to arbitrate any undividable claim of less than the relevant jurisdictional threshold that a student may bring in small claims court (or in a similar court of limited jurisdiction subject to expedited procedures). If that claim is transferred or appealed to a different court, however, or if a student's claim exceeds than the relevant jurisdictional threshold, Brown Mackie College reserves the right to elect arbitration and, if it does so, each student agrees that the matter will be resolved by binding arbitration pursuant to the terms of this Section.

IF EITHER A STUDENT OR BROWN MACKIE COLLEGE CHOOSES ARBITRATION NEITHER PARTY WILL HAVE THE RIGHT TO A JURY TRIAL, TO ENGAGE IN DISCOVERY, EXCEPT AS PROVIDED IN THE APPLICABLE ARBITRATION RULES, OR OTHERWISE TO LITIGATE THE DISPUTE OR CLAIM IN ANY COURT (OTHER THAN IN SMALL CLAIMS OR SIMILAR COURT, AS SET FORTH IN THE PRECEDING PARAGRAPH, OR IN AN ACTION TO ENFORCE THE ARBITRATOR'S AWARD). FURTHER, A STUDENT WILL NOT HAVE THE RIGHT TO PARTICIPATE AS A REPRESENTATIVE OR MEMBER OF ANY CLASS OF CLAIMANTS PERTAINING TO ANY CLAIM SUBJECT TO ARBITRATION. THE ARBITRATOR'S DECISION WILL BE FINAL AND BINDING. OTHER RIGHTS THAT A STUDENT OR BROWN MACKIE COLLEGE WOULD HAVE IN COURT ALSO MAY NOT BE AVAILABLE IN ARBITRATION.

The arbitration shall have no authority to arbitrate claims on a class action basis, and claims brought by or against a student may not be joined or consolidated with claims brought by or against any other person. Any arbitration hearing shall take place in the federal judicial district in which the student resides. Upon a student's written request, Brown Mackie College will pay the filing fees charged by the arbitration administrator, up to a maximum of $3,500 per claim. Each party will bear the expense of its own attorneys, experts and witnesses, regardless of which party prevails, unless applicable law gives a right to recover any of those fees from the other party. If the arbitrator determines that any claim or defense is frivolous or wrongfully intended to oppress the other party, the arbitrator may award sanctions in the form of fees and expenses reasonably incurred by the other party (including arbitration administration fees, arbitrators' fees, and attorney, expert, and witness fees), to the extent such fees and expenses could be imposed under Rule 11 of the Federal Rules of Civil Procedure.

The Federal Arbitration Act ("FFA"), 9 U.S.C.§§ 1, et seq., shall govern this arbitration provision. This arbitration provision shall survive the termination of a student's relationship with Brown Mackie College.

The above supersedes any arbitration provision published in any other document.

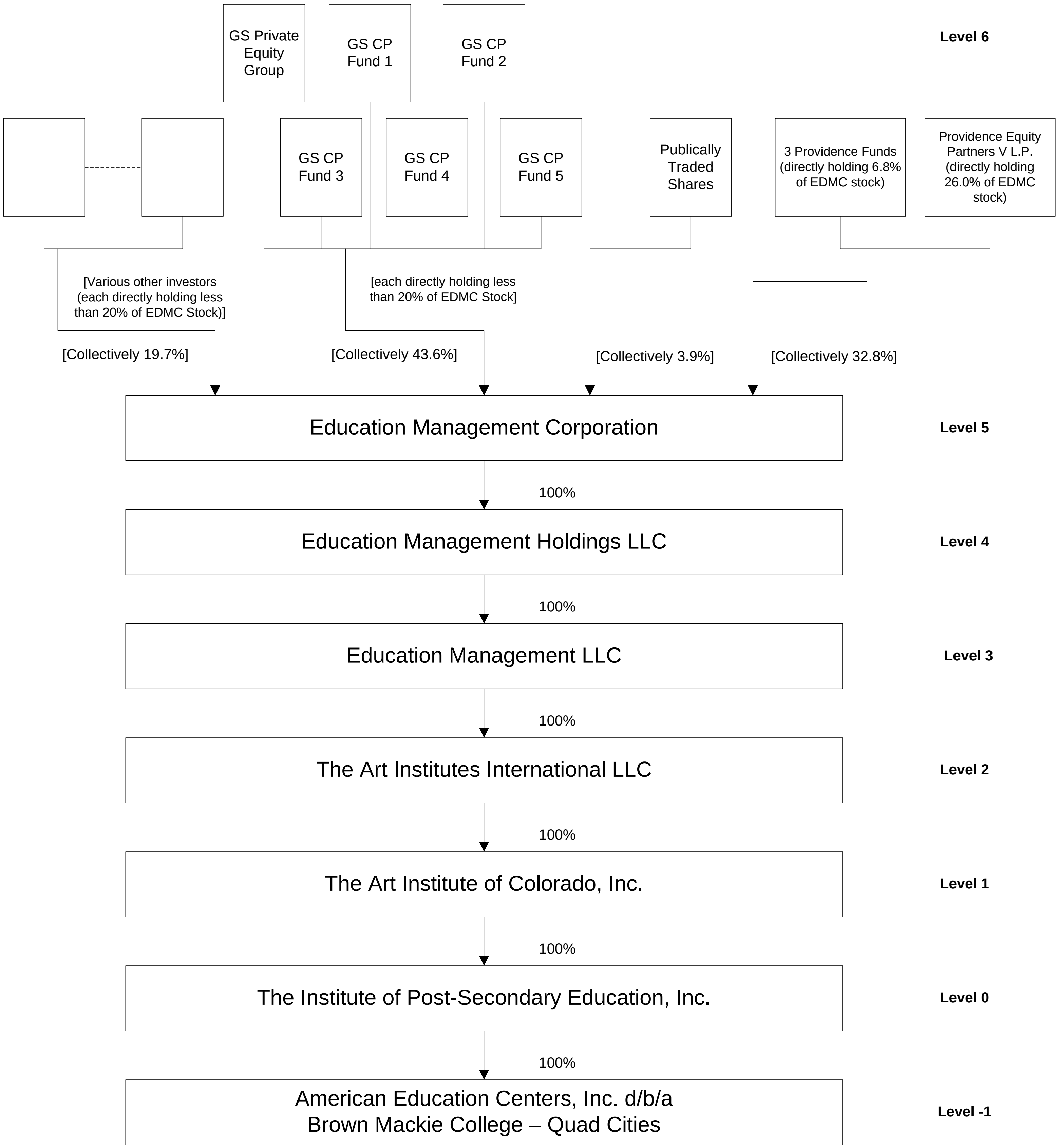
Attachment 2 – Ownership Information

Quad Cities

Brown Mackie College –Quad Cities is owned by American Education Centers, Inc. American Education Centers, Inc. is a wholly owned subsidiary of The Institute of Post-Secondary Education, Inc. The Institute of Post-Secondary Education, Inc. is a wholly owned subsidiary of The Art Institute of Colorado, Inc. The Art Institute of Colorado, Inc. is a wholly owned subsidiary of The Art Institutes International LLC. The Art Institutes International LLC is a wholly owned subsidiary of Education Management LLC. Education Management LLC is a wholly owned subsidiary of Education Management Holdings LLC. Education Management Holdings LLC is a wholly owned subsidiary of Education Management Corporation.

Brown Mackie College – Quad Cities

as of 3/1/13



Brown Mackie College – Quad Cities is owned by American Education Centers, Inc. American Education Centers, Inc. is a wholly owned subsidiary of The Institute of Post-Secondary Education, Inc. The Institute of Post-Secondary Education, Inc. is a wholly owned subsidiary of The Art Institute of Colorado, Inc. The Art Institute of Colorado, Inc. is a wholly owned subsidiary of The Art Institutes International LLC. The Art Institutes International LLC is a wholly owned subsidiary of Education Management LLC. Education Management LLC is a wholly owned subsidiary of Education Management Holdings LLC. Education Management Holdings LLC is a wholly owned subsidiary of Education Management Corporation.

Attachment 3 – Accrediting Agency

April 12, 2011

ID Code 00010572

Mr. Kenneth Richards
President
Brown Mackie College - Cincinnati
1011 Glendale-Milford Road
Cincinnati, OH 45215

Dear Mr. Richards:

BROWN MACKIE COLLEGE – QUAD CITIES, BETTENDORF, IOWA ID CODE 00011295

Subject: New Grant/Modified Approval Letter

The Council has acted to extend the accreditation for the branch campus at 2119 East Kimberly Road, Bettendorf, Iowa 52722, ID Code 00011295, to offer programs through the academic associate's degree level through December 31, 2017, per your institution's request for consolidation of your expiration date.

The Council is pleased to have this continued relationship with your institution. Please contact Ms. Perliter Walters-Gilliam at (202) 336-6769 if you have any questions.

Sincerely,

Albert C. Gray, Ph.D.
Executive Director and CEO

c: Mr. Kareem Odukale, Quad Cities branch campus

Attachment 4 Agency Approvals

Fields of Opportunities

STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF EDUCATION
KEVIN FANGMAN, ACTING DIRECTOR

November 2, 2010

Mr. Kareen Asim Odukale, President
Brown Mackie College
2119 East Kimberly Road
Bettendorf, IA. 52722

Dear President Odukale:

This letter recognizes your Institution of Higher Learning (IHL), now operating in Bettendorf, Iowa, as eligible for the enrollment of veterans or other eligible persons pursuant to the provisions of Chapters 30, 32, 33, 35 and 36 of Title 38, . Pursuant to the provisions of Chapters 30, 32, 33, 35 and 36, U.S. Code; Chapter 1606 and 1607 of Title 10, U. S. Code and the applicable Code of Federal Regulations.

In granting this approval, the Iowa State Approving Agency, reviewed materials you submitted and your 2010-2011 Brown Mackie College catalog. Based on our review we are granted the following program approvals for the enrollment of veterans and other eligible persons to:

BROWN MACKIE COLLEGE **BETTENDORF, IOWA**

Degree Programs	Catalog Page-Length	Award Granted
Accounting Technology*	Page 19 8 ten week terms 70 weeks 96 quarter credit hours 12 + quarter credit hours per term	Associate of Science
Business Management*	Page 20 8 ten week terms 70 weeks 96 quarter credit hours 12 + quarter credit hours per term	Associate of Science Studies
Criminal Justice*	Page 21 8 ten week terms 70 weeks 96 quarter credit hours 12 + quarter credit hours per term	Associate of Science

Degree Programs	Catalog Page-Length	Award Granted
Health Care Administration*	Page 22 70 weeks 96 quarter credit hours 12 + quarter credit hours per term	Associate of Science
Information Technology*	Page 23 70 weeks 96 quarter credit hours 12 + quarter credit hours per term	Associate of Science
Medical Assisting*	Page 24 70 weeks 96 quarter credit hours 12 + quarter credit hours per term	Associate of Science
Paralegal*	Page 25 70 weeks 96 quarter credit hours 12 + quarter credit hours per term	Associate of Science

Non-Degree Programs	Catalog Page-Length	Award Granted
Business*	Page 27 35 weeks 48 quarter credit hours 12 + quarter hours per term	Diploma
Medical Assistant*	Page 28 35 weeks 48 quarter credit hours 12 + quarter hours per term	Diploma
Medical Coding & Billing*	Page 29 35 weeks 48 quarter credit hours 12 + quarter hours per term	Diploma

*New approval

Classes meet Monday through Thursday from 8:00 a.m. to 10:30 p.m. Office hours are Monday through Friday, 8:00 a.m. to 8:00 p.m.

The authority for and conditions of this approval are in accordance with the provisions of the Code of Federal Regulations 21.4253 as <u>accredited</u> courses.

A copy of this letter, your 2010-2011 catalog, properly certified, along with additional supporting information has been forwarded to the Veterans Affairs Regional Processing Center, St. Louis, Missouri for their information and appropriate action.

The effective date of this approval is August 1, 1, 2010.

Notice of this approval is submitted in compliance with Section 3678 of Chapter 36, Title 38, U.S. Code.

Sincerely,

Thomas A. Beasley

Thomas A. Beasley, Consultant
Veterans and Military Education

TAB/dt

cc: Veterans Affairs
Lori Payne, Brown Mackie Bettendorf
Holly James, Brown Mackie Ohio

Attachment 5 – Employee CVs

Jill Sourdiff – Full-time
Kara DePaoli – Full-time
Sally Seals – Full-time
Scott Wheat - Full-time
Shane Samples – Full-time
Alan Barchman – Part -time
Barbara Diveley-Wiedenmann – Part-time
Cathleen Vilmont – Part-time
Charles Harris – Part- time
Clifton Bethel – Part-Time
Cori Fairchild – Part-time
Howard Hyde – Full-time
James Merrill – Part-time
Katie Roemer – Part-time
Kimberly Grimm – Full-time
LaKeisha Holloway – Part-time
Lauren Evans – Part-time
Lisa Kay Betczynski Part-time
Mark E. Frederick Part-time
Molly Mayfield – Part-time
Melody L. Mosenfelder Part-time
James Owens – Part-time
Phillipa Gordon - Part-time
Deanna Thomason – Part-time
Anthony Stabile – Part-time
Sandra Mead – Part-time
Tionn Fambro – Part-time

TIONN FAMBRO, ESQ.
3856 26th Ave
Moline, IL 61265
Phone: 309-558-7653
Email: tfambro1@gmail.com

EDUCATION

May 2008	Southern Illinois University School of Law, Carbondale, Illinois Juris Doctor
May 2005	Tennessee State University Bachelors of Arts- English Valedictorian

ACTIVITIES AND HONORS

Professional

Quad City Alliance for Immigrants and Refugees
- Chair of Positive Interaction with Police Committee

Delta Sigma Theta Sorority Incorporated
- Recording Secretary

American Immigration Lawyer's Association
- Member

Law School

Black Law Student's Association. Secretary
- Founder or Mission Possible Project
- Leading Correspondent via phone, email, mail, and in person contact.

Domestic Violence Legal Clinic. Clinic Advocate
- Interview Domestic Violence Victims
- Advocate for Victims rights in open court
- Prepare Orders of Protection

Southern Illinois American Inn of Court. Student Member
- Discuss cutting edge legal issues
- Learn networking skills
- Make presentations on cutting edge legal issues

Thurgood Marshall Scholarship
James A. Walker Fellowship

College

Gates Millennium Scholar
- Bill and Melinda Gates,
- UNCF

University Honors Program
- Summa Cum Laude

Rangel Scholar
- Howard University International Affairs Program

EXPERIENCE

Winter 2012-Present	*<u>Brown Mackie College-Quad Cities</u>* Bettendorf, Iowa ▪ Adjunct Faculty-Paralegal Studies Program ▪ Adjunct Faculty-Criminal Justice Program
Fall 2009-Present	*<u>Brooks Law Firm, P.C.</u>* Rock Island, Illinois ▪ Family Law ▪ Civil Rights Law ▪ Criminal Law ▪ Immigration Law
Spring 2009-Fall 2009	*<u>Jack Schwartz and Associates</u>* Rock Island, Illinois ▪ Criminal Defense Work- Misdemeanor and Felony ▪ Family Law ▪ Immigration Law
Spring 2008	*<u>Judicial Law Clerk.</u>* Jackson County Courthouse Murphysboro, Illinois ▪ Judicial Law Clerk for the Honorable Judge W. Charles Grace ▪ Legal research and writing ▪ Observe courtroom procedures of felony drug and other criminal cases
Summer 2007	*<u>Summer Study Abroad</u>*. Howard University South Africa Program Cape Town, South Africa ▪ Comparative and International Law Program ▪ Studied courses in South African Constitutional and Comparative Law and Alternative Dispute Resolution ▪ Gain perspective on historic legal and political changes in South Africa
Summer 2006	*<u>Law Clerk.</u>* Missouri Attorney General's Office St. Louis, Missouri ▪ Summer Law Clerk**:** Litigation Division ▪ Draft discovery documents ▪ Research and prepare legal memoranda
Summer 2005	*<u>Law Clerk.</u>* Law Offices of Warren Ballentine Matteson, Illinois ▪ Interpersonal Client Relations ▪ Prepared legal memoranda ▪ Assist attorneys in preparation for court
June 2004 To August 2005	*<u>Student Intern.</u>* Mayoral Press Office at City Hall Chicago, Illinois ▪ Assist with press release preparation ▪ Constituent Relations/Receptionist Skills ▪ Construct Dailey/Daley News Composite
Spring 2004	*<u>Legislative Intern.</u>* 103rd Tennessee General Assembly Nashville, Tennessee ▪ Assist Deputy Speaker Brenda Turner on House and Joint Committees ▪ Worked with constituents on statewide and government issues

RESEARCH

Spring 2006

Research Assistant.

Convent, Louisiana

- Environmental Justice Case
- Conduct Interviews
- Prepare Memoranda
- Discussed issued surrounding Hurricane Katrina

Fall 2005

Secondary Author. Publication: “Dignity Before Dying”.

Carbondale, Illinois

- Assisted Professor Siran M. Koroukian
- Informed readers of available healthcare options prior to imminent death.
- Case Western University School of Medicine: Department of Epidemiology and Biostatistic

Shane Samples

5000 Lincoln Way #25 – Clinton, IA. 52732

563-249-6669 **adzam86@hotmail.com**

OBJECTIVE

Desiring full time employment in business where I can grow, mentor, and assist others by using my outstanding organizational skills, education, leadership, teaching methods, and communication skills.

Internship Experience

Thomas & Betts — Clinton, Iowa
Operations Management — 5/10/2008-8/15/2008

Created excel spreadsheet that listed all assets of company
Physically counted all assets of company
Matched up part number to new SAP system
Used universal SAP number to find old part number

Work Experience

Brown Mackie College — Bettendorf, Iowa
Department Chair of Business & Accounting Department — 07/1/2012-Present

- Serve as an academic advisor in the Business Program.
- Chapter Advisor of Alpha Nu Alpha Beta Gamma- Quad Cities
  -Assist in Fundraising for ABG
- Ensure implementation of program course syllabi.
- Place graduating students in externship for potential employment
- Recruit new externship sites
- Experienced and certified in LMS (eCollege)
- Perform instructional duties as assigned as outlined in the Faculty job description and in accordance with the provisions of Faculty Supplement to the Brown Mackie College Employee Handbook.
- Select and develop Program Advisory Council (PAC) that meets at least one time per year
- Participates in faculty development each year as required.
- Select, train, develop, manage, and lead regular and adjunct faculty according to the guidelines provided by the Campus Dean of Academic Affairs, and in accordance with the policies and procedures of the Campus.
- Effectively administer and grow your assigned academic program including curriculum development, student registration/advisement, community relations and campus relations.
- Support College programs designed to achieve student completion rates as outlined in the five year strategic plan.
- Collaborate with other Academic Program Directors within own school and across schools: scheduling, sharing faculty, and other.
- Conduct on-site evaluations and reviews of all faculty and students within Business/Acc. Program.

Brown Mackie College Bettendorf, Iowa
Adjunct Instructor 5/31/2011-Present

- Promoted to Lead Instructor of Business & Accounting 10/3/11, then Department Chair 7/1/12
- Provides competency-based education which aligns with the EDMC model of curricula as well as supports the EDMC style of system delivery.
- The development of instructional plans to meet course competencies,
- Delivers learning-centered instruction by establishing a classroom environment conducive to learning and student involvement as well as effectively planning and preparing for classes and student success.
- Manages the learning environment through keeping accurate records, submitting grades and other reports on time, and enforcing school/campus academic and attendance policies.
- Relate professional/life/industry experience to learning by the continuation of professional/technical skills development.

Classes Taught:

Human Resources (students conducted interviews)
Small Business Management (students built business plan)
Introduction to Business
Bus Communications (Proper business emails, memos, and letters)
Bus Law I & II
Accounting I & II
Payroll Accounting (students figured paychecks & Taxes)
Principles of Finance (students tracked stocks/played stock market)
Marketing & Advertising (students built marketing plan)

Clinton Community College Clinton, Iowa
Adjunct Instructor (Campus & Online) 8/15/11- Present

- Intro to Computers (2010 MS Office)

OfficeMax Clinton, Iowa
Impress Supervisor, Key Carrier 1/19/2010- 10/3/11

- Promoted from Furniture Specialist to Impress Supervisor
- Direct the activities of Impress team members and set an example of outstanding customer service
- Ensure accurate and timely processing of all customer requests
- Train employees, order supplies as needed
- Communicate with Manager, and Assistant manager on sales and marketing techniques to improve and Drive sales.
- Understand the store sales and profit plan and how Impress impacts the plan
- Meet sales objectives and goals including attachment and up-selling goals as established by the company along with Perform Manager on duty responsibilities as outlined in the MOD standards and perform all opening and closing function, including all cash handling functions, daily balancing and reconciliation process and security of the building.

Thomas & Betts Clinton, Iowa
Material Handler 3/2002-1/2010

- Enter Production into Inventory system(SAP), load final production onto trailers
- Establish Trust and loyalty with supervisor and warehouse department
- Licensed to drive forklift, demonstrated safe practices & OSHA standards
- Ability to manage time efficiently and effectively to do the work, and train associates
- Supply employees with material to ensure completion of their duties
- Ensure safe housekeeping practices
- Demonstrate team player practices where needed

Education

Master's in Business Administration Graduation: 8/2010
Ashford University, Clinton, IA. GPA: 3.91

Bachelor of Arts, Business Administration, Marketing Concentration Graduation: 5/2009
Ashford University, Clinton, IA. GPA: 3.39
Cum Laude

Associates of Arts & Applied Science, Liberal Arts Graduation: 12/2004
Clinton Community College, Clinton, IA.

Certifications

Brown Mackie College

Blended Online Facilitator training.….2011
Teaching with Technology………..…..2012
Engaging Students for Success……..…2012
Meaningful Course Revision………....2012
Critical Thinking……………………...2012
EDMC Business Ethics Policy & Code of Conduct..2012
Pursuing Persistence & Supporting At-Risk Students……....2012
Creating a Learning Centered Syllabus……………………..2012
Rubrics-Effective Assessment Tools………………………..2012
Effective Test Design…………………………………….....2012
Active Reading……………………………………………...2012
BMC 101(The Art of Teaching)………...………....2012

Skills

Computer: Excellent with MS Office Package

Excellent Interpersonal Skills, Outstanding Analytical skills

Honors & Awards

Dean's List (2 semesters)
Golden Key International Honors Society

Scott W. Wheat

3024 W 3rd Street | Mobile: 563-940-9265

Davenport, IA 52804 | Email: scottwheat7@yahoo.com

Work Experience: **Brown Mackie College** **11/2012 - present**

Department Chair of General Education and Information Technology

Supervisor: Rochelle Streeter

Supervise the General Education and IT Departments which contain 13 instructors. Duties include running the student ambassadors, student mentor program, Faculty Tech Club, oversee the Student Tech Club, campus wide tutoring, Professional Development Committee, and First Quarter Tracking of beginning students. Includes organizing, tracking, creation of excel sheets, observation of instructors, faculty development, and hiring and training of new instructors. Other duties involve teaching of Environmental Science, College Algebra, Fundamentals of Math, and Sociology courses.

Brown Mackie College **04/2012-11/2012**

Adjunct Instructor

Supervisor: Rochelle Streeter

Instructor for General Education Courses to include Anatomy and Physiology I, College Algebra, and Environmental Science. Developed and maintained instructional materials including teaching plans, student informational packets, quizzes, tests, laboratory experiments, course presentations (PowerPoint). Utilized graphical and written media (Word documents, white board) to communicate course information and concepts. Reviewed and graded student work product including examinations, reports, projects, presentations, quizzes, and lab results. Developed laboratory experiments. Advised students on course selection and educational performance. Enforced school disciplinary and attendance policies. Attended weekly faculty meetings and professional development activities and courses.

Iowa National Guard **08/2010 –03/ 2012**

Platoon Leader/ 2nd Lieutenant

Supervisor: Captain Jarid Catrenich (515-564-9879)

Creation of monthly and yearly training calendar for distribution platoon. Supervised monthly training of 25 soldiers. Responsible for maintaining unit readiness, moral, and discipline. Responsible for materials necessary for leadership meetings. Attended regular training and planning meetings. Supervised and instructed soldiers training during mandatory briefings. Responsible for fuel and ammunition delivery and distribution for the 224th Engineer Battalion. Responsible for up to 12,500 gallons of fuel, vehicles, and equipment.

Black Hawk College **01/2004 - 12/2011**

Adjunct Instructor

Supervisor: Brian Glaser (309-796-5238)

Instructor for Chemistry, Bio-Organic Chemistry, Introductory Biology, Human Biology, Environmental Biology, Astronomy and their corresponding laboratories. Developed and maintained instructional materials including teaching plans, student informational packets, quizzes, tests, laboratory experiments, course presentations (PowerPoint). Utilized graphical and written media (Word documents, white board, docucam) to communicate course information and concepts. Reviewed and graded student work product including examinations, reports, projects, presentations, quizzes, and lab results. Developed laboratory experiments. Created laboratory manual used in Physical Science course. Supervised student performance of laboratory experiments. Performed UV-Visible Absorption, Paper Chromatography, Bacterial Streaking, Micropipette Techniques procedures in laboratory experiments. Utilized laboratory equipment (microscopes, spectrometer, centrifuges, balances, burners). Maintained grade book and student records. Enforced school disciplinary and attendance policies. Advised students on course selection and educational performance.

Scott Community College **06/2004 - 12/2011**

Adjunct Instructor

Supervisor: Dr. Andrew Burt (563-441-4344)

Instructed courses in Chemistry, Physical Science, Elementary Algebra I and II, Education, and Teaching. Developed and maintained instructional materials including teaching plans, student informational packets, quizzes, tests, laboratory experiments, course presentations (PowerPoint). Utilized graphical and written media (Word documents, white board, docucam) to communicate course information and concepts. Reviewed and graded student work product including examinations, reports, projects, presentations, quizzes, and lab results. Developed laboratory experiments. Created laboratory manual used in Physical Science course. Supervised student performance of laboratory experiments. Utilized MathXl software to augment classroom instruction in Algebra courses and conducted online quizzes and homework. Maintained grade book and student records. Enforced school disciplinary and attendance policies. Advised students on course selection and educational performance.

Bettendorf High School **08/2008 - 06/2011**

Science Teacher

Supervisor: Joy Kelly (563-332-7001)

Applied knowledge of education principles, visual information equipment, graphic design, electronic teaching techniques to determine the subject matter, goals, length, approach and education media which can be most effective. Developed lesson plans for chemistry, biology, environmental biology, and basic science courses of instruction indicating instructional methods, comprehensive examinations and other course-related administration. Developed and administered course specific quizzes, examinations, and federal basic skills tests. Monitored for and referred to professional help students experiencing personal issues. Maintained classroom discipline and adherence to school policy and regulations. Utilized Microsoft Office Suite (Word, Excel, PowerPoint, and Publisher) to maintain grade book and develop course materials. Developed and maintained course curriculum including instructor guides, student guides, informational packets, quizzes, and tests. Documents disciplinary infractions and made referrals to front office staff or supervisor. Utilized Logger Pro software for conducting and recording lab experiments. Supervised laboratory experiments with emphasis on safety and critical thinking processes. Maintained custody of hazardous materials and material safety data sheets (MSDS). Created chemical solutions and compounds for use in experiments. Maintained familiarization or certification in hazardous material handling, blood borne pathogens, infectious diseases, safety, and first aid. Performed hallway and event supervisory duties. Conducted parent/teacher conferences to communicate student progress and issues with parents. Clearly communicated course material and concepts verbally, graphically, and in writing. Maintained state teaching certification. Attended workshops and seminars to stay current with developments in instructional methods and scientific area of concentration. Developed and conducted laboratory experiments to reinforce course theory and concepts. Reviewed and graded student projects, research papers, presentations, and lab experiments. Maintained compliance with federal and state guidelines and regulations for course content. Advised and guided students on educational and personal goal development. Maintained professional communication and cooperation with coworkers and team members. Attended departmental and committee meetings.

Scott Community College **12/2004 - 08/2008**

Developmental Education Instructor/ NovaNet Site Director

Supervisor: Dr. Andrew Burt (563-441-4344)

Utilized knowledge of education principles, TV equipment and Distance Learning concepts, visual information equipment, graphic design, electronic teaching techniques to determine the subject matter to create NovaNet distance learning curriculum. Prepared and conducted instruction, developed lesson plans for course of instruction indicating instructional methods, comprehensive examinations and other course-related administration and workshops for developmental learners. Taught developmental and high school recovery courses in large and small groups. Coordinated with counselors in identifying individual learning needs and styles in designing appropriate instructional strategies. Supervised and coordinated tutor activities within the Student Success Center. Supervised 24 workstation open computer lab. Developed tutor training program of instruction. Assisted students with online classes, computer support, and software application use. Provided instruction and technical support for science lab, nursing, math, and distance learning software applications. Maintained current working knowledge of distance learning techniques, instructional trends and media. Member of hiring committee. Co-chair of environmental sustainability initiative to obtain LEED certification for college.

Ivy Tech Community College **01/2002 - 07/2003**

Adjunct Instructor

Supervisor: Janice Webster (812-298-2226)

Instructed courses in Anatomy and Physiology and Basic Math. Developed and maintained instructional materials including teaching plans, student informational packets, quizzes, tests, laboratory experiments, course presentations (PowerPoint). Utilized graphical and written media (Word documents, white board, docucam) to communicate course information and concepts. Reviewed and graded student work product including examinations, reports, projects, presentations, quizzes, and lab results. Developed laboratory experiments. Supervised student performance of laboratory experiments. Maintained grade book and student records. Enforced school disciplinary and attendance policies. Advised students on course selection and educational performance.

Indiana University School of Medicine **02/2002 - 06/2003**

Terre Haute, IN 47809 US

Laboratory Technician

Supervisor: Dr Michael King (812-237-3417)

Member of a four personnel research team working on regenerative studies using E.coli bacteria strains to replicate protein DNA from a specific frog species. Developed and maintained procedural research documentation. Responsible for isolating, recovering, and validating seven target protein DNA sequences for further analysis. Required the use of various specialized laboratory equipment and procedural techniques to include: Gel Electrophoresis, Agar Plate creation, Bacterial Isolation and Culturization, DNA Amplification, Micropipetting Techniques, Radioisotope Tagging, and the use of Thermocyclers for Polymerase Chain Reactions (PCR).

St. Mary of the Woods College **08/2001 - 12/2001**

Visiting Instructor

Supervisor: Dr. Joyce Cadwallader (812-535-5155)

Instructed courses in General Chemistry, Basic Chemistry, and Organic Chemistry Lab. Administered the distance learning program for Basic Chemistry. Developed and maintained instructional materials including teaching plans, student informational packets, quizzes, tests, laboratory experiments, course presentations (PowerPoint). Utilized graphical and written media (Word documents, white board, docucam) to communicate course information and concepts. Reviewed and graded student work product including examinations, reports, projects, presentations, quizzes, and lab results. Developed laboratory experiments. Supervised student performance of laboratory experiments. Maintained grade book and student records. Enforced school disciplinary and attendance policies. Advised students on course selection and educational performance.

Mattoon High School **07/1999 - 06/2001**

Chemistry Teacher

Developed lesson plans for General Chemistry I and II courses of instruction indicating instructional methods, comprehensive examinations and other course-related administration. Developed and administered course specific quizzes, examinations, and federal basic skills tests. Applied knowledge of education principles, visual information equipment, graphic design, electronic teaching techniques to determine the subject matter, goals, length, approach and education media which can be most effective. Monitored for and referred to professional help students experiencing personal issues. Maintained classroom discipline and adherence to school policy and regulations. Utilized Microsoft Office Suite (Word, Excel, PowerPoint, and Publisher) to maintain grade book and develop course materials. Developed and maintained course curriculum including instructor guides, student guides, informational packets, quizzes, and tests. Evaluated textbooks for new textbook adoption in both chemistry courses. Documented disciplinary infractions and made referrals to front office staff or supervisor. Supervised laboratory experiments with emphasis on safety and critical thinking processes. Maintained custody of hazardous materials and material safety data sheets (MSDS). Maintained school chemical storage facility and waste disposal based on state guidelines. Created chemical solutions and compounds for use in experiments. Maintained familiarization or certification in hazardous material handling, blood borne pathogens, infectious diseases, safety, and first aid. Performed hallway and event supervisory duties. Conducted parent/teacher conferences to communicate student progress and issues with parents. Assisted as volunteer coach to wrestling and track team sports. Clearly communicated course material and concepts verbally, graphically, and in writing. Maintained state teaching certification. Attended workshops and seminars to stay current with developments in instructional methods and scientific area of concentration. Developed and conducted laboratory experiments to reinforce course theory and concepts. Reviewed and graded student projects, research papers, presentations, and lab experiments. Maintained compliance with federal and state guidelines and regulations for course content. Advised and guided students on educational and personal goal development. Maintained professional communication and cooperation with coworkers and team members.

Education: **Eastern Illinois University** Charleston, IL US

Master's Degree 12/2005

Credits Earned: 32 Semester hours

Major: Natural Sciences **Minor:** Physical Sciences

Relevant Coursework, Licenses and Certifications:

Astronomy, Issues and Ethics in Science, Interdisciplinary Research, Chemical Analysis, Environmental Chemistry, Magnetic Resonance, Modern Physics, History of Science, Toy Science, Organic Chemistry, and Advanced General Chemistry.

Indiana State University Terre Haute, IN US

Bachelor's Degree 12/1997

Credits Earned: 160 Semester hours

Major: Chemistry **Minor:** Biochemical Emphasis

Relevant Coursework, Licenses and Certifications:

General Chemistry, Qualitative Analysis, Organic Chemistry, Chemical Literature, Principles of Biology, University Physics, Environmental Chemistry, Biochemistry, Genetics, Survey of Physical Chemistry, Weather and Climate, Instrumental Methods Analysis, General Astronomy, General Ecology, General Physiology, and General Microbiology.

Indiana State University Terre Haute, IN US

Bachelor's Degree 12/1997

Credits Earned: 160 Semester hours

Major: Science Education **Minor:** Chemistry, Biology, General and Physical Sciences

Relevant Coursework, Licenses and Certifications:

Licensed to teach secondary education in the areas of Chemistry, Biology, General Science, and Physical Science for the states of Indiana, Illinois, and Iowa.

Courses included Teaching I, Psychology of Childhood and adolescence, Instructional Media Teaching, Reading Content Areas, Technical Writing, Teaching II, Exceptional Learners in the Classroom, Teaching III, Foundations of Education, Teaching of Science, and Student Teaching.

Job Related Training: Civil Disturbance Training -- February 2011

Officer Candidate School (OCS) -- August 2010

Combat Lifesavers Course (CLS) -- June 2010

Medical Specialist Training -- August 1995

EMT-B Certification -- August 1995

Additional Information: Army Reserve Component Achievement Medal (ARCAM)

Army Achievement Medal (AAM)--two awards

References:	Name	Employer	Title	Phone	Email

Dr. Andrew Burt	Scott Community College	Dean of Arts and Sciences	563-441-4344	aburt@cruiser.eicc.edu
Brian Glaser	Black Hawk College	Chairperson, Department of Natural Sciences and Engineering	309-796-5238	Glaserb@bhc.edu
Ruthann Gallagher	Scott Community College	Instructor; Developmental Education Dept.	563-441-4001	rgallagher@eicc.edu

Sandra Mead 11691 109th Ave., Davenport, IA 52804
sandrammead@icloud.com (563) 381-4831/(563) 210-6484

EDUCATION

SOUTHEASTERN PARALEGAL INSTITUTE, Dallas, TX
POST BACCALAUREATE PARALEGAL CERTIFICATE — April 1991
ABA Approved Program; Internship-Texas Office of the Attorney General

TARLETON STATE UNIVERSITY, Stephenville, TX
BACHELOR OF BUSINESS ADMINISTRATION — August 1985
Business Education/Mathematics; Distinguished Student List

SKILLS AND ABILITIES

TEACHING/TRAINING

- Preparation of lesson plans and organization of lectures, activities, and field trips
- Fair evaluation of student progress through testing and assignments
- Implementation of new methods of teaching
- Texas Teaching Certificate

ORGANIZATION

- Successful coordination and scheduling of activities, field trips, jobs, and employees
- Assistance in budgeting and collections
- Reconstruction of an entire filing system for a small business
- Compilation of a 25 page procedures manual for an Administrative Assistant position

COMMUNICATIONS

- Strong communication skills learned through working in customer service, delivering sales presentations, teaching, and management of personnel
- Conflict resolution in situations arising with employees and/or customers

SALES/MARKETING

- Creative product display design for window and in-store displays
- Creation and organization of sales presentations and job bids for inside and outside sales
- Explanation of services and facility tours in the sale of services

MANAGEMENT

- Accurate compilations of daily, weekly, and monthly reports in a variety of settings
- Job applicant screening and recommendation
- Training and supervision of 13 employees
- Purchasing and pricing for maximum profit, but still remaining competitive

LEGAL

- Court record research to maintain updated and accurate client files
- Preparation and assembly of legal documents for filing with the court in a timely manner
- Review of service documents to set cases for hearings
- Assistance in court when needed

EXPERIENCE

ADJUNCT FACULTY (2002-present) — Brown Mackie College, Bettendorf, IA
Instruction of Business and Legal classes, Professional Development, Algebra, and Career Development /NBEA/NALA

INDEPENDENT CONTRACTOR (2001-2008) — Langman/Blackhawk Hills Apartments, East Moline, IL
Cleaning service

LEGAL SECRETARY II/TEMP (1993-1996) — State of Texas-Office of the Attorney General, Waco, TX
Case audit; problem cases; customer service; legal casework

ADMINISTRATIVE ASSISTANT/ ASSISTANT MANAGER (1989-1990) — Metro Sport and Fitness, Farmers Branch, TX
Management and supervision of 13 employees; membership sales

ASSISTANT MANAGER/SALES (1988-1989) — Carpet Showroom, Lubbock. TX
Inside and outside sales; product displays; store management

MATH TEACHER (1985-1986) — Belton Independent School District, Belton, TX
Instruction of Pre-Algebra, Algebra I and after school tutorials

HONORS & ACTIVITIES

Texas Girl's State Delegate; NHS; Distinguished Student List; Texan Star Dance Team; Girl Scout Leader 2007-2012

6575 Dayton Corner A St., Colona, IL 61241•309-472-4685•sally924@hotmail.com

Sally Seals

Career Objective

To continue to use my knowledge and skills as an occupational therapist to treat and guide patients through the healing process. Also, I want to continue to grow my skills as an occupational therapist and utilize them within my career.

Experience

Sept. 2011 to Present   Brown Mackie College – Quad Cities   Bettendorf, IA

OTA Fieldwork Coordinator

- Instruct classes within occupational therapy assistant courses.
- Appropriately seek and arrange fieldwork placement sites for occupational therapy assistant students.

July 2007 to Present   Genesis Medical Center   Silvis, IL

Occupational Therapist

- Evaluate and Treat patients on skilled care unit and inpatient acute unit as needed.
- Conduct home evaluations as ordered.
- Complete fall and feeding screenings as requested.
- Managed MDS paperwork periodically.
- Instruct Pulmonary Rehab classes to the community.

Sept. 2005 to June 2007   Rock Valley Physical Therapy   Silvis, IL

Occupational Therapist

Evaluate and Treat patients on skilled care unit and inpatient acute unit as needed.

Education

Sept. 2000 to June 2005   St. Ambrose University   Davenport, IA

Masters in Occupational Therapy (2005)

Bachelors of Art in Psychology (2004)

Anthony A. Stabile

2116 Cody Street, Bettendorf, IA 52722 (563) 359-8862 thgs@msn.com

PROFESSIONAL EXPERIENCE

Place of Employment: JTM Concepts, Inc., Rock Island, IL
Dates: October 1999 – Present
Job Title: Network Administrator

Accomplishments:

- Redesigned company Windows network to meet changing requirements
- Designed company intranet and web-based customer survey application
- Developed software project management procedure
- Developed 3D simulations used for classroom learning
- Continually maintain and improve supporting software for JTM's 3D applications

Place of Employment: Industrial Operations Command, Rock Island Arsenal, Rock Island, IL
Dates: March 1984 – September 1999
Job Title: Electronic Engineer

Accomplishments:

- Led team effort to convert multiple Government unique processes to single commercially accepted processes at Industrial Operations Command (IOC) facilities
- Developed and obtained approval of Value Engineering Proposals (VEPs) for quality assurance testing which resulted in cost savings
- Evaluated/tested contractor developed software and configuration control change proposals for training devices and various other Army systems
- Developed Automated Test Equipment (ATE) utilization database used to help manage ATE at Army Depots

Place of Employment: ARRADCOM, Picatinny Arsenal, Dover, NJ
Dates: June 1969 – February 1984
Job Title: Electronic Engineer

Accomplishments:

- Developed reliability/safety analysis and coordinated similar analyses performed by other engineers during R&D life cycle
- Developed quality assurance provisions for end item and individual component specifications
- Performed system safety analyses for several fielded Army systems
- Developed scope of work for contract to develop automated corporate memory system

OTHER EXPERIENCE

- **Quadcities.score.org -** Webmaster, August 2009 to present

- **ARAS Family Care, Davenport, IA -** Network administrator/computer help (part-time), 2000 – 2008

- **Dr. Davies Medical Office, Trinity Medical Center, Moline IL -** Designed software translator program for Medicare EDI, June 2003 - October 2003**.** My efforts enabled the client to comply new with Medicare EDI regulations for submitting Medicare claims ahead of Government deadline.

- **Teaching** - Have taught various computer courses both residential and on-line at a number of local colleges and universities. Courses in include programming, networking, and Microsoft Office applications. Currently teaching IT courses as a member of the adjunct faculty at Brown Mackie College, Bettendorf, IA.

EDUCATION

1998 Completed MCSE courses, American Institute of Commerce, Davenport, IA
1994 MS, Computer Science, Marycrest University, Davenport, IA
1969 BS, Electrical Engineering, Newark College of Engineering (NJIT), Newark, NJ

SOFTWARE

Visual Basic, Visual C++, Java, JavaScript, ASP, ASP.NET, HTML, XML, Quest 3D, Microsoft Office

CERTIFICATIONS

MCSE, MCP+I

References will be furnished upon request

Deanna Thomason

3435 Jersey Ridge Rd. Apt. 807 • Davenport, IA 52807 • (309) 360-4452
ThomasonDeannaL@sau.edu

EDUCATION

Master of Business Administration, St. Ambrose University, Davenport, IA
Graduation: May 2012

Bachelor of Business in Management, Western Illinois University, Macomb, IL
Graduation: May 2008 Minor: Finance Honors: Dean's List

PROFESSIONAL EXPERIENCE

Chick-fil-A, Davenport, IA, June 2011 – Present
Assistant Manager

- Oversee store operations and identify financial and service related opportunities for improvement
- Maintaining and exceeding product, service, quality, and cleanliness standards
- Hiring, training, motivating and developing a 30 member team
- Reduced labor costs through more frequent analysis of sales and labor reports

Brown Mackie College, Bettendorf, IA, March 2012 – Present
Adjunct Faculty, Business and Accounting Programs

- Instruction of the following courses: Advanced Spreadsheets, Human Resource Management, Accounting, Marketing
- Manage the learning environment by keeping accurate records, submitting grades and other reports on time, and enforcing academic and attendance policies
- Design and deliver classroom instruction through the development of instructional plans to meet course competencies and develop activities which support lesson objectives

Target, Davenport, IA, July 2009 – July 2011
Presentation Team Member

- Worked as an integral part of a team to ensure merchandising, visual display, signing, and pricing accuracy
- Lead planogram projects and coordinated teams of up to 10 members

Accountemps, Davenport, IA, July 2008 - Dec 2008
Accounting Assistant - Contract Employee

- Performed general ledger functions such as posting and reconciling of accounts payable and receivable batches
- Prepared spreadsheet reports for federal reimbursement programs
- Assisted with audit preparation

American Kiosk Management (*ProActiv Skincare*® Retail Division), Las Vegas, Nevada, 2005-2006
Accounting Assistant

- Verified daily sales deposits for 350+ domestic and international locations
- Created deposit exception and variance spreadsheet reports which included PivotTables and Charts
- Reported to Controller and investigated incidences of potentially fraudulent account activity reports and identified internal losses in excess of $10,000
- Identified cost saving measures and improved deposit processes by merging bank accounts
- Processed expense reports and purchase orders

OSF St. Francis Medical Center, Cardiac Intensive Care Unit, Peoria, IL, 2000 – 2005
Unit Support Representative

- Screened visitors and telephone calls for 30 bed ICU unit
- Transcribed physicians orders and maintained confidential patient files and reports
- Typed memos, correspondence, reports, meeting minutes, and various routine forms
- Arranged and scheduled patient tests and exams

SOFTWARE SKILLS

Proficient in the following software: Microsoft Office (especially Word, Excel, PowerPoint, and Outlook), MS Dynamics/Great Plains
Familiarity or limited experience with the following software: AS/400, SAP, Timberline, Crystal Reports

Phillippa Gordon

1909 North Oak Street, Bettendorf, IA, 52722
Tel: (480) 745.5912 / E-mail: philligordon@gmail.com

Professional Summary

Dynamic, highly skilled, result-oriented management executive with experience in sales, training, development and project management. Successfully improved efficiency of operation, and leadership to fuel long-term growth and success. Expert at increasing profitability through relationship building, motivation and training with an emphasis on exceptional customer /client satisfaction, retention, start rate and staff success. Areas of competency include:

- Customer Relations
- Policy/Procedure Development
- Productivity / Process Improvement
- Management Training and Development
- Forecasting
- Interviewing and Hiring
- Personal Sales Development
- Product Knowledge Training

PROFESSIONAL EXPERIENCE

EDUCATION MANAGEMENT CORPORATION (EDMC)
Bettendorf, IA **April 2013 -Present**
Adjunct Faculty – Computer Application & Business Communication - Brown Mackie College
Accomplishments:

- Restructured and inspired students' attitude regarding purpose and use of technology in classroom and daily life.
- Understand diversified learning needs of students and aid in the development and implementation of technology projects designed to create positive results in individuals and groups.

Responsibilities:

- Develop educational technology curriculum for delivery of classroom coursework meeting accreditation standards
- Delivered instruction on computer applications to new students in a classroom environment.
- Assist students who require additional tutoring outside of scheduled classroom hours.

EDUCATION MANAGEMENT CORPORATION (EDMC)
Phoenix, AZ **Oct 2007 – Aug 2012**
Admissions Representative/Assistant Director of Admissions
Accomplishments:

75% retention rate for students who started classes and completed their first course.
Assist in the development and coaching of team members and new hires.
Assist in the training of team members on reinstating former students.

Responsibilities:

- Achieve daily and weekly activities which include but not limited to outreach calls, interviews, Personally Developed Referrals.
  Outbound calls, recruiting new and former students, meeting individual and team goals.
- Recruit new students and assist in all aspect of the enrollment process including admissions application, financial applications and getting students academically accepted.
- Responsible for student persistence and retention of students during their first class and through graduation from their program.

Director of Admissions (Operations/Training)/Admissions Manager
Accomplishments:

- Developed, wrote and implemented the New Hire Training Manual.
- Assisted in the on-boarding development of all new hires for The Art Institute of Pittsburgh Online Division, South University Online and Argosy University Online.
- Implemented behavioral and performance criteria requirements for new hires' transitioning to

- The production floor, this yield an overall increase in retention rate to 85% and a 20% increase in start goals and start rate.
- In additional to being an expert on all operational and sales procedure for The Art Institute of Pittsburgh Online Division, took the initiative to become proficient on operations and sales processes for South University and Argosy University and occasional called upon to coach, train and develop new hires from other brands.

Responsibilities:

- Responsible for new hire's sales training and development from 0-3 months. This includes but not limited to, all key conversion categories; outbound call volume, talk time, interviewing; closing; overcoming objections; follow-up; start rate; compliance and student retention.
- Work in concert with floor manager to identify areas of development opportunities for new hires' success.
- Meet with each new hire weekly to discuss successes and areas of opportunity for improvement.

Director of Admissions (Sales/Enrollment)/Admissions Manager

Accomplishments:

- Assigned to manage a veteran under-achieving team. Through coaching, development and accountability Improved enrollment start rate from traditional 45 - 50% to 64%, raised year to date percentage to plan from 79% to 105%.
- Developed script for contacting referral leads.
- Provided ongoing training and development for veterans on how to accurately and thoroughly explain educational programs, students' services, and financial presentation to students and parents. Coached on securing new inquiries (Personally Developed Referrals) by directly asking phone contacts for referrals. Developed script for contacting referral leads.

Responsibilities:

- Accurately forecast projected new students.
- Coach, train, and develop staff to achieve their full potential.
- Created a fun, productive environment for sales staff by providing timely and positive roll out of cultural and policy changes and accountability.

ALANDRE FOOTWEAR INC.,

Bloomfield, New Jersey **July 2001– Jan 2007**

Owner/General Manager

Accomplishments:

- Operated a profitable flagship location and was able to expand business within two years to a second retail outlet.
- Effectively negotiated pricing and distribution with both national and international wholesalers.
- Increased sales by innovative marketing techniques, for example, used store location for local designers' fashion shows which increased customer base and overall profitability.

Responsibilities:

- Hired, trained and motivated a staff of 10 employees to work effectively as a team to ensure exceptional customer service and staff success.
- Responsible for the operations of both retail location, which included purchasing, invoice processing, marketing, payroll, accounts receivable, accounts payable, customer service and warehouse operations.

ENTERPRISE RENT-A-CAR (ERAC)

Teaneck, New Jersey **August 1998 – June 2001**

Assistant Manager –Teaneck & Montvale Location

Achievements:

Teaneck & Montvale

- Increase fleet size at Teaneck location by 50% by developing and creating relationships with local insurance agents, body and service repair shops. Became the number #1 referred car rental agency in that area.

- Increased fleet size at Montvale location by 400% by maximizing on corporate accounts in the area. Established major accounts with corporations such as Mercedes Benz of North America which provided employees with a corporate discount for their business or personal rental needs.

Responsibilities:

- Business to business sales calls to body and service shops, local insurance agents, corporate accounts.
- Quickly and effectively resolved all customer concerns or complaints received to the branch to ensure customer satisfaction.
- Coordinated and monitored staff scheduling at the rental location.
- Supervised and assisted staff personnel by receiving phone calls, renting cars, checking-in and inspecting vehicles, preparing vehicles for rental, transporting customers to and from the rental location and coaching counter personnel on sales techniques.

EDUCATION

MA in Education in Higher & Postsecondary Education
Argosy University projected graduation date 2013

MA in International Relations & Diplomacy
Schiller International University, London, England

BA English Literature
University of the West Indies, Kingston, Jamaica

COMPUTER SKILLS

- **Highly proficient in Operating systems:** Microsoft Windows XP, Vista and windows 7
- **Applications/Software:** Microsoft Office Suite (Word, Excel, Access, PowerPoint), Outlook, Outlook Express, Adobe Photoshop, Internet Explorer, CampusVue, CARS, PACE (automated dialing system).

PROFESSIONAL REFERENCES:

Available upon request

James V. Owens, D.C.

2714 Harmony Drive • Bettendorf, IA 52722 •563-359-8108
jvowens4@aol.com

Professional Experience

Brown Mackie College, Bettendorf, Iowa — October 2012-Present

- Adjunct Faculty Member , Classroom Instructor

Core Health Care, Davenport, Iowa — May 2012-Present

- Private Practice

National Board of Chiropractic Examiners, Greeley, Colorado — May 2003-Present

- Standardized Patient Trainer for Part IV Practical Examination

Palmer College of Chiropractic, Davenport, Iowa — July 1987 – November 2011

- Clinic Administration: Director Academic Health Center/Chief of Staff, Clinics. Responsibilities include the daily operations of Davenport Clinic System which included multiple sites in the Quad City Area. Accomplishments include the Back Pain Recognition Program awarded by the National Committee for Quality Assurance. Iowa Quality Center Recognition Award for Excellence.
- Faculty Clinician: Clinical educator in the Davenport outpatient clinic providing care to patients in a teaching clinic environment.

Arizona Chiropractic Health Services, Phoenix, Arizona — July 1982 – July 1987

- Private Practice

Arizona Chiropractic Preferred Provider Association, Phoenix, Arizona — 1985-1987

- Quality Assurance Committee member providing claims review of billing and charting as requested by contracted insurance companies.

International Rehabilitation Associates, Inc. d/b/a Intracorp. , Phoenix, Arizona — 1986-1987

- Chiropractic Consultant and advisory services regarding claims billing and charting.

Activities and Community Involvement (past and present)

Gateway Chapter 776 Vietnam Veterans of America, Bettendorf, Iowa
American Legion Post 381, Abingdon, Illinois
Volunteer Chalet Worker, Quad City Air Show
Board Member Quad City Area Brain Injury Association (past), Davenport, Iowa

Education

Palmer College of Chiropractic, Davenport, Iowa

- Doctor of Chiropractic, 1982

Western Illinois University, Macomb, Illinois

- Bachelor of Science, 1977

Carl Sandburg College, Galesburg, Illinois

- Associate of Arts, 1969

Melody L. Mosenfelder
2518 Bridge Avenue, Davenport, IA 52803
(563) 320-9540
melodymosenfelder@yahoo.com

Objective

To obtain a teaching position in a higher education institution that will allow me to expand my existing knowledge, utilize my communication skills and further develop myself personally and professionally while making a difference through teaching.

Qualifications

- Over 12 years of sales and customer service experience to consumer's and businesses.
- Multiple years in successful leadership role.
- Experience as a classroom instructor for Allied Health Department
- Completed non-paid marketing internship obtaining invaluable experience.
- Vast knowledge of many industries; retail, wireless, medical, restaurant, telemarketing and more.
- Group Leader/Project Leader in majority of educational projects completed.
- Owned/Operated small businesses of my own including the business marketing, selling and teaching about the product(s).

Work Experience

Brown Mackie College, Allied Health Department, Instructor, Bettendorf, IA, May 2013 – present

- Currently teaching Anatomy and Physiology II
- Council students on time management and test taking skills
- Attend faculty and staff meetings
- Complete Professional Development seminars/activities monthly
- Provide timely feedback for assignments and grades
- Monitor student absences and reach out to absent students
- Track "At-Risk" students

U.S. Cellular, Retail Wireless Consultant, Moline, IL, November 2007 – present

- Selected to complete small business training with leaders in order to teach other associates
- Provide an energetic and passionate attitude about our company while teaching our customers about our products and services
- Seek out new consumer and business accounts through cold calls, prospecting, and referrals.
- Show compassion for customers while trouble-shooting phone issues
- Encourage other associates performance through leadership and ownership actions
- Keep up to date on the competitions rates and services
- Manage existing accounts by providing outstanding human coverage
- Present material at monthly meetings as needed
- Complete all sales/customer service trainings upon hiring and continue to keep up to date
- Maintain cash drawer and daily opening/closing activities
- Have maintained a "meets expectations" rating or higher on all performance reviews

Sprint PCS, Lead Sales Representative, Davenport, IA, June 2000 – June 2005

- Provided information on products and services in order to gain customers
- Maintained customer base through service
- Cold called businesses and potential customers and asked for referrals
- Achieved 105% of monthly sales quota; earned rate plan bonus every month
- Achieved 130% of monthly accessory quota
- Won numerous sales contests
- Performed supervisory actions in absence of a manager
- Trouble shoot and upgrade phones in absence of technician
- Completed Professional Retail Selling Skills (PRSS) including the G.U.E.S.T. process Greet, Understand, Educate, Satisfy/Sell, Transform
-

Education

Palmer College of Chiropractic, Davenport, IA, Doctor of Chiropractic (2011)

- Previously did work-study in the student union at snack bar and in the financial aid office doing administrative duties
- Funded 100% of education
- Attended Scott Community College in conjunction with Palmer to complete pre-requistes
- Worked an average of 25 hours per week at U.S. Cellular from November 2007 to present

St. Ambrose University, Davenport, IA, Bachelor's Degree; Mass Communications: Advertising and Public Relations (2000)

- Funded 100% of education and maintained 3.2 GPA
- Attended Media Workshop at U.C.L.A. in Los Angeles, California

Professional Experience

Palmer College of Chiropractic "Destination Success", On Campus Seminar, 2008

- Attended multiple speakers

Palmer College of Chiropractic Homecoming, On Campus Seminar, 2005 & 2007

- Attended multiple speaking mini-seminars

Happy Joe's Pizza and Ice Cream Parlor, Inc., Marketing Intern, January – May 2000

- Created and distributed regional and national press releases
- Assisted in event planning for the annual franchise meeting in social events and activities
- Researched items and/or services for price quotations; telephone and Internet
- Updated current media contact list for the entire chain covering 67 markets
- Assisted in outside sales marketing for Happy Joe's and the Freight House restaurant

Clinical Experience

Chiropractor (Independent Contractor), Shipman Chiropractic, Davenport, IA, 2012-present

- Adjust patients and manage patient care plans
- Perform physical exam, x-rays, and orthopedic testing as needed
- Refer to other professionals as necessary
- Teach patient education
- Develop marketing materials

Academic Health Center, Palmer College of Chiropractic, Davenport, IA, 2010-2011

- Evaluated patients starting with patient history, physical exam, x-rays, orthopedic testing and adjusting
- Kept timely paperwork completed and verified by the patients assigned staff doctor

Campus Health Center, Palmer College of Chiropractic, Davenport, IA, 2009 – 2010

- Evaluated patients starting with patient history, physical exam, x-rays, orthopedic testing and adjusting
- Kept timely paperwork completed and verified by the patients assigned staff doctor

Computer Experience

IBM Compatibles, Macintosh, WordPerfect, Microsoft Office (Word, Excel, Powerpoint, Outlook)

Volunteer

AAUW: American Association of University Women, member of national group, Vice-President of Student group at Palmer College for 2007-2008
Habitat for Humanities Volunteer, August 2007
Circle K community service organization, St. Ambrose University, August 1999 – August 2000

References

Available upon request

Molly L. Mayfield
373 20th Avenue
East Moline, IL 61244
Cell: 563-343-4963
mollymayf@hotmail.com

Education

Master of Accountancy, Western Illinois University, May 2005, GPA 3.8
Bachelor of Business - Accountancy, Western Illinois University, May 2003, GPA 3.6

Certified Public Accountant, Illinois and Iowa

Professional Accounting Experience

WQAD News Channel 8 – Moline, IL (March 2012 – present)

Vice President of Finance

Accounting Responsibilities

- Manage revenue budget of over $12 million per year.
- Manage the month end closing process using Great Plains - timely computing and booking of various journal entries and review of staff prepared journal entries.
- Supervise and engage in financial report preparation process.
- Provide monthly reports to General Manager and Department Heads.
- Provide financial consultation to General Manager and Department Heads as needed.
- Review monthly account reconciliations and determine/book the necessary adjusting journal entries.
- Lead the monthly forecast preparation process through engagement with the Department Heads.
- Prepare and present actual vs. forecasted financial analyses for the General Manager at month end and/or as requested.
- Lead the ongoing analysis of internal controls and implement necessary changes.

Human Resources Responsibilities

- Coordinate and conduct employee orientation meetings for new hires.
- Lead disciplinary action for employees through collaboration with Corporate Human Resources and Department Heads.
- Provide and lead Payroll/Benefits customer service to the station of 120 employees.

Carpentier, Mitchell, Goddard, & Co., LLC –Moline, IL (May 2011 – March 2012)

Audit Manager

- Lead audits for the manufacturing entities as well as non-profit, governmental, & employee benefit plan sectors.
- Perform analysis & detailed testing on high risk sections of the audit such as Inventory & Accounts Receivable.
- Provide internal control improvement suggestions to the client based on a walkthrough of their processes.
- Review lower risk audit sections performed by audit staff & work with staff to improve the work prior to the partner review.
- Train staff helping them gain and improve audit competencies – a proactive approach as well as being an ongoing resource.
- Work closely with the audit partner in coordinating schedules for audit staff according to client needs.
- Manage the status of at least 20 engagements at a time communicating between the audit staff & audit partner.
- Coordinate delivery of excellent client service and timely delivery of the audit report to clients.

McGladrey & Pullen – Davenport, IA (January 2007 – May 2011)

Senior Assurance Associate

- Manage 20-30 manufacturing and pension audit engagements per year including training of audit staff, coordinating fieldwork with the client & defining audit plans/goals with the manager.
- Perform analysis & detailed testing on high risk sections of the audit such as Inventory & Accounts Receivable.
- Analyze financial data by developing and documenting expectations, findings, and conclusions.
- Review lower risk audit sections performed by audit staff & work with staff to improve the work prior to the manager review.
- Prepare audited financial statements including preparation of footnotes.
- Serve as the go-to person in the audit field by training staff and answering questions from client.
- Communicate progress of the audit to the manager in order to deliver timely client service.

Caseware Conversion Project -Davenport, IA (Jul07-Apr08)

- Organize and implement a plan for converting over 200 clients from dated software to Caseware.
- Gather training resources for implementation and train staff adequately.
- Developed spreadsheet to report the status of the project to management.
- Developed a newsletter to communicate tips & updates regarding the Caseware software.

John Deere & Company –Moline, IL (May 2002 – April 2006)

SAP FICO – Business Analyst - Moline, Illinois (June 2005 – April 2006)

- Implemented the financial activities of the SAP implementation for an engine factory in Mexico.
- Migrated the account data from the old system to the new system.
- Researched, tested and defined new SAP financial processes for customers in my assigned division.
- Re-designed SAP financial processes delivering improvements in the efficiency of accounting processes.
- Developed documentation to support new and existing SAP financial and accounting processes.

SAP FICO – Accountant - Moline, Illinois (Nov 2004 – May 2005)

- Maintained the SAP FICO Enterprise Chart of Accounts.
- Organized and conducted the weekly General Ledger Chart of Account meeting.
- Documented the justification for adding accounts to the John Deere Enterprise Chart of Accounts.
- Updated over 20 SAP clients with the master record settings for the new account.
- Served over 25 different units in managing their SAP master record account changes.

Parts Distribution Center – Accountant - Milan, Illinois (Dec 2003 – Nov 2004)

- Updated the monthly financial reporting package which included over 10 reports.
- Tracked and performed audits on the capital property owned by the Parts Distribution Center.
- Prepared the capital budget for quarterly review by the Vice President of the Parts Division.
- Conducted the quarterly capital budget review meeting for the Vice President of the Parts Division.
- Performed standard and non-standard journal entries.

Professional Accounting Related Experience

Brown Mackie College – Bettendorf, IA (November 2011 to Present)

Adjunct Accounting Professor

- Develop lesson plans for various business classes.
- Facilitate learning of various accounting and business concepts to business students.
- Develop quizzes and exams to test the students' understanding of various accounting concepts.
- Track grades and communicate any concerns weekly to the department chair.
- Collaborate with other faculty and the department chair in determining the best teaching approach for at risk students.

Voluntary Work

Davenport Central High School Band – Treasurer – Davenport, IA (July07-July08)

Junior Achievement Business Leadership Challenge – Business Advisor – Davenport, IA (July07 & July08)

Memberships

American Institute of Certified Public Accountants

Illinois CPA Society

The Women's Connection (of the Quad Cities)

Mark E. Frederick

Pastor and Community Advocate • FCD Specialist • Adjunct Professor

1303 14th street, Rock Island, IL
Office: 309-786-3280 Cell :(309) 281-9269
pastormark@npbcoftheqc.com

EXPERIENCED EDUCATOR

Experience in developing and teaching in multiply forum and setting with different levels of student and clients various levels including but not limited to Grammar age, Middle and High School level students, troubled and at risk youth, as well as Youth and adult ministries programs and College level Coursework

Strong Leadership skills, Bridge Builder and Multi-cultural experienced Educator with a Master's Degree Criminal Justice with 16 months experience instructing Criminal Justice and General Educational classes. Course development and set-up for both general education core classes and Criminal justice centered classes. Background includes 7 years in the Christian education and Pastoral profession working in the community with at risk families, educating at risk youth, as well as Community groups and local organizations in the areas of family, domestic violence, sexual assaults/crimes, mental health, criminal justice, and poverty.

SUMMARY OF QUALIFICATIONS

- **Enthusiastic, creative, and passionate educator** - mentoring, instructing, and advisor nontraditional students. Teach student the value of finishing their education through life noise and events. Instilling confidence in others teaching them they can be successful and overcome barriers in life. Teach and adjust lesson plans to assist students on their level and abilities until they become comfortable to learn and thrive in a college level learning environment.
- **Specializations include:** Various Criminal Justice classes, Ethics, American Constitutional Law, Report writing, Sociology, and Cultural diversity and Poverty.
- **Leadership** – Experience in working with and build individual, families, and organizations by teaching life skills, education understanding, and develop plans basic on case by case abilities. Use, develop, and adjust programs to meet the needs of individuals or group. Worked in settings with drug dependent, lower functioning or developmental delayed, profession or groups/ organizations, and individuals seeking to change life styles and goals.
- **Resources / Strategic Collaborations** – Work closely with local leaders, community partners, local Criminal Justice organizations, Mental health Organizations, Churches, and private organizations to encourage family values and stronger communities.
- **Utilize** a motivational and educational approach to help students, individuals, and to achieve goals and network for better community services and strong families.

HIGHLIGHTED PROFESSIONAL TEACHING EXPERIENCE

BROWN MACKIE COLLEGE, Bettendorf, IA **June 2011 - Present**

Adjunct Instructor

- Facilitate and instruct classes consisting of up to 30 students in certificate and Associates degree programs.
- Utilize multiple assessments in compliance with accreditation and district and state requirements and University requirements.
- Use innovative methods and materials such as IPAD, Multi-media, and various other forms of technology to instruct and grow student's basic understanding and enhance their abilities to learn and complete their programs.
- Set Externships, Coordinate, and assist in running of the current Criminal Justice and Paralegal Programs

Highlighted Achievements

- Assist with develop the Criminal Justice and Paralegal program to increase enrollment and grow with the expectation of obtaining approval for a Bachelors program within the next year.
- Provide instructional and administration leadership for entering into externships. Find externship site for students entering graduation phase of their programs. Utilize my local connects, networking abilities, and resources to find externships site and employment in their field of study.
- Help improve the Criminal Justice program by working with the Department Chair to improve retention rate of less than 50% to a current 80 percent in six months.

- Help to develop and improve the Criminal Justice and Paralegal program over the last year to near
- Mentored and coached students to help boost their confidence and competencies, as evidence by scores and completion of work.

NATIONAL AMERICAN UNIVERSTIY, Rapid City, South Dakota June 2011 – Current

Adjunct Instructor

- Facilitate and instruct classes consisting of up to 30 students in Bachelors and Associates degree programs.
- Use innovative methods and materials such as Multi-media and various other forms of technology to instruct and grow student's basic understanding and enhance their abilities to learn and complete their programs.
- Work with student in both the Associate and bachelor programs to achieve life goal and finish their degrees and personal goals.

Highlighted Achievements

- Help to develop and improve the Criminal Justice by developing the current course through changed in material and updated textbook.
- Mentored and coached students to help boost their confidence and competencies, as evidence by scores and completion of work.

NEW PHILADELPHIA BAPTIST CHURCH, Rock Island, IL March 2011 – Current

Pastor, Director, and President of Not-for-profit Corporation

- Developed daily lesson plans and testing materials; leveraged the use of technology to enhance instruction, infusing the use the latest technology to conduct research and prepare reports, including: the Internet, department websites, PowerPoint presentation software, and on-line library research.
- Served as an instructional leader by modeling high expectations for students and implementing results focused programs.
- Ensured compliances with laws, regulations, rules and policies prescribed by the Ft. Bend Independent School District.
- Taught students basic application software usage, such as Microsoft Windows, Word, PowerPoint, Internet access using various search engines through browser programs.
- Prepared assignments for student reports; assisted students in organizing and writing research findings, bibliographies and final reports.
- Implemented various classroom management techniques for maintaining student attention, involvement and discipline.
- Partnered with parents in students' success; provided feedback on students' progress and to discuss areas needing improvement and additional work.
- Chaired the "Publications Committee," compiled information for the district regarding social studies department activities.

HIGH SCHOOL FOR HEALTH PROFESSION, Houston, TX **Sept 1997 – May 1998**

Teacher (9th grade English and Speech and 12th grade Journalism)

- Conducted classroom instruction; prepared daily lesson plans; administered tests; provided feedback on learning achievements and needs for improvement.
- Managed the publication of the school Yearbook; photographed students and events; used Internet technology for digitizing pictures for print production.

PART-TIME INSTRUCTOR EXPERIENCE

Bilingual Education Institute, Houston, TX	English Instructor	Sept 1993 – May 1999
Kaplan Educational Center, Houston, TX	TOEFL Instructor	Sept 1995 – May 1996
English Language Specialists, Houston, TX	English Instructor	Sept 1995 – May 1996

COMMUNITY SERVICE

Spring Branch Education Center, Spring Branch, TX	Instructor/Counselor	Sept 1996 – May 1998
Southwest Family Learning Center, Houston, TX	English/GED Instructor	Sept 1994 – May 1995
Refugee Services Alliance, Houston, TX	English Instructor/Case Worker	Sept 1993 – May 1994

EDUCATION

M.S.C.J., Corrections & Research, Kaplan University, Chicago, IL - 2010

B.S., Criminal Justice, Kaplan University, Davenport, IA – 2005

A.S., Criminal Justice, Florida Metropolitan University, Lakeland, FL – 2003

ASSOCIATIONS & CERTIFICATIONS

Texas Teacher Certification K-12; English and History
Education-Based Training for Microcomputer Technology (Certificate), Ellen Toothman & Associates
Texas Association of Professional Educators (TAPE)
Texas Teachers of English as a Second or Other Language
Morningside Homeowners Association /Board of Directors – Newsletter & Budget Mgmt Committee
English Teacher, Big Brother Program

Lisa Kay Betczynski
110 Abbey Drive
Geneseo, IL 61254
309/269-1554 (c); 309/944-5559 (h)
heylisakay@yahoo.com

Objective:

To secure a full-time teaching position in English/Language Arts

Education Overview:

Master of Science, Advertising, College of Communications, University of Illinois at Urbana-Champaign, 1988
Bachelor of Education, Secondary Education/English, St. Ambrose University, 2001
Bachelor of Science, Media Studies, College of Communications, UIUC, 1986

Professional Experience:

Adjunct Faculty, Brown Mackie College, Davenport, Iowa: May 2013 to Present
Responsibilities include curriculum planning; teaching on-ground English courses with eCollege component online; grading; office hours; retention efforts including logging absences and calling students; attending department, faculty and all staff meetings within the General Education Department

Associate Faculty, part-time, Ashford University, Clinton, Iowa: Jan. 2010 to Present
Developed students' competencies in a variety of courses on-ground and online:

Dimensions of Education
Orientation
Media Writing
English Composition I
English Composition II

Responsibilities include lecturing/facilitating using eCollege platform; posting biography, weekly guidance and announcements; assessing discussion forums and written assignments (using Waypoint interactive software) according to stated rubrics; teaming with Teaching Assistants; emailing for improved retention efforts; using plagiarism software (Turnitin); working with Academic Affairs team in regard to netiquette violations; attending monthly Webinars and incorporating technology through Jing, Prezi, Animoto, Flickr, and embedded videos such as Ted Talks; attending graduation events

Instructional Specialist, New Instructor Instructional Specialist
Ashford University, Clinton, Iowa: Feb. 2009 to Mar. 2012
Responsible for all aspects of supporting and monitoring new and returning online faculty for best practices, for handling all academic issues and conflict management pertaining to their courses, and for re-teaching platform processes (using eCollege) and course requirement expectations

- Created Student Conduct Recommendation Guide for online instructors with Student Affairs team; led/created/edited New Faculty Information Materials with New Instructor Instructional Specialist team
- Multiple Employee Recognition Awards
- Most recent Employee Performance Evaluation assessed at Always Exceeds Customer Service Expectations 2011

Online Teaching Assistant, Ashford University, Clinton, Iowa: Fall 2009 to Spring 2010
Responsible for answering student questions, posting announcements, grading written assignments, and documenting information for 60+ entry level and other undergraduate courses in English and psychology courses online

Adjunct Faculty, Eastern Iowa Community College District, Bettendorf & Muscatine, Iowa: Jun. 1990 to Aug. 1991; Sept. 1996 to May 1999; Aug. 2004 to Feb. 2009
Responsible for syllabus creation, all aspects of teaching and assessment according to learning objectives stated in Course Development Models for the following On-Ground Courses

Public Speaking/Speech for Business
English Composition I/English Composition II
Media & Society
Professional Communication

Online courses include English Composition I/English Composition II through Iowa Community College Online Consortium: 2008 to 2009

High School English Teacher, United Township High School, East Moline, Illinois: Aug. 2001 – Jun. 2004
Responsible for teaching and assessing mastery of American, British, and World Literature at $10^{th,}$ 11^{th}, and 12^{th} grade levels to college prep and general students at various behavioral and skill levels; member of Faculty Chorus, Faculty Talent and Homecoming Shows, Literary Magazine Volunteer, Speech Judge, Illinois Standards Aligned Curriculum Training

Adjunct Faculty, Augustana College, Rock Island, Illinois: Dec. 1992 to Jun.1996
Responsible for all aspects of teaching English I and English II to new students; holding office hours; research teaming with assigned librarians; tutoring within Reading/Writing Center for vocabulary building, GMAT/LSAT preparation, English support and other class specific writing support

Adjunct Faculty, Black Hawk College, Moline, Illinois: Spring 1991 to Fall 1995
Responsible for syllabus creation, all aspects of teaching and student assessment for assigned semester and summer courses according to course model learning objectives:

Communication Skills
English Composition I
Essentials of English
Fundamental Writing Skills
Study Unlimited

(Promoted to Assistant Professor: 6/95)

Certifications:

Secondary Teaching Certification Grades 6-12 (English), State of Illinois, Issued June 20, 2001, Certification Code 09, Certification #1795536
NCLB Highly Qualified Subject Areas: English 9-12, ESL, Journalism, Language Arts, Reading, Speech 9-12, Title I Remedial Reading

Online (i3) Innovative Internet Instruction Workshop, Certificate of Completion, Eastern Iowa Community College District, Spring 2007

Publications:

Women's Edition: The Magazine for Metropolitan Women, Bettendorf, Iowa
Have interviewed and written four published articles of female owned or managed businesses within the Quad City community, 2012/2013

Presentations:

Quick Ideas Central founding member—Planned and executed Ashford U. employee events which included researching and delivering introductory speeches for three high quality speakers: Mayor of Clinton, IA, Rodger Holm (2010); Quad City Arts' Poet Laureate Dale Haake in Cortona Gallery (2011); Radish Magazine Advertising Executive Rachel Griffiths (2011)

Challenges and Choices for the Unsuspecting Instructor: Help! What Do I Do Now? (30-minute roundtable discussion) at the Annual Adjunct Faculty Academy sponsored by Scott Community College and Black Hawk College, 9 Feb. 2008

Classroom Strategies for Engaging Learners at the Annual Adjunct Faculty Academy (60 minute workshop) sponsored by Scott Community College and Black Hawk College, 20 Jan. 2007

Professional Development:

Ashford University Academic Retreats (2009, Galena, IL; 2010, Galena, IL; 2011, San Diego, CA) covering topics such as Best Teaching Practices, Web 2.0 Tools, Student Assessment, Retention Efforts

Certificate of Completion, ICCOC (Iowa Community College Online Consortium) Summer Summit & Training Institute, West Des Moines, IA, 13-15 July 2008

Certificate of Attendance for Connect with the Best, first adjunct conference sponsored by Scott Community College, Black Hawk College, Black Hawk College Foundation, and the Illinois Community College Faculty Association, 3 June 2006

Organizations:

Girl Scouts of Eastern Iowa & Western Illinois
Midwest Faculty Association - Ashford University
National Association of Professional Women
Parent Teacher Association/Southwest School (Geneseo, IL)

References:

Dr. Stephen Holland, past Chair of English Department, Muscatine Community College
(563) 288-6030

David Leo, Instructional Specialist Manager/Associate Faculty, Ashford University
(877) 241-9893

Lura Kulhavy, past Assistant Director of Assessment/Associate Faculty, Ashford University, (619) 590-8188

Dr. Toni Tollerud, Full Professor, Counselor Education, Northern Illinois University
(815) 501-4784

Lauren Evans

3708 Kelling St.
Davenport, IA 52806
563-320-5763
Laurenevans456@yahoo.com

Education

- Master of Business Administration, St. Ambrose University, Davenport, IA
  Graduation December 2009
- Bachelor of Arts in Criminal Justice, St. Ambrose University, Davenport, IA
  Graduation May 2005

Work Experience

Brown Mackie College Davenport, IA, January 2013-Present
Adjunct Faculty

- Designs and delivers class instruction through the development of instructional plans to meet course competencies, the development of activities which support lesson objectives
- Promotes student success by showing flexibility in style and work schedule as well as exhibiting a passion for teaching and students and engaging students in the learning process
- Delivers learning-centered instruction by establishing a classroom environment conducive to learning and student involvement as well as effectively planning and preparing for classes and student success.

County Material Buffalo, IA, April 2012-August 2012

- Dispatch
- Production scheduling

Rinker Materials, Concrete Pipe Division of Cemex, Buffalo, IA, March 2007 – April 2012
Dispatch /Human Resources/Accounts Payable

- Generate invoices, delivery tickets, and related shipping documents
- Jointly coordinate with operations and sales to resolve problems and improve quality of service
- Strive to meet customer expectations without exception and achieve highly positive customer satisfaction
- Develop working relationships with internal customers in order to ensure customer needs are addressed
- Work with management to implement improvements in procedures and establish production/delivery schedules to improve customer service
- Contract maintenance – update all data and price changes to reflect customer's needs
- Reading plans and creating line take-offs for bid preparation
- Track safety participation for meeting company standards
- Generate purchase orders, order products and Goods Receipt incoming invoices for payment
- Handle all new hire paperwork and maintain current employee files

Scheels All Sport, West Des Moines, IA, September 2005 – December 2006
Specialty Shop Manager

- Manage million dollar shoe shop and $250,000 sock shop
- Maintain inventory and drive sales through preseason orders, fill-in orders, progressive markdowns and re-merchandising
- Participate in weekly management meetings and help facilitate meetings with part-time employees
- Train new part-time and full-time employees

Computer/Technical Skills

- Microsoft Office: Word, Excel, PowerPoint
- SAP 6.0
- AS400

Attended: Leadership Through People Skills one week training seminar at St. Ambrose University January 2009

LaKeisha Holloway

♦ ♦ ♦

4320 W. 29th Street ♦ Davenport, IA. 52804 ♦ 563.343.0315 ♦ LLHOLLOWAY@hotmail.com

EDUCATION

University of Missouri, Columbia
Personal Finance - Bachelors of Science
Graduation Date: May 2002

Saint Ambrose University
Masters Business Administration
Graduation Date: July 2004

CERTIFICATION

Certified Insurance & Coding Specialist — December 2010
National Center for Competency Testing

WORK HISTORY

Palmer College Instructor; Davenport, IA — *March 2012 - Present*

- Facilitates a learner centered environment to engage students
- Utilizes the Student Portal to evaluate student progress, communicate with students, and provide feedback
- Confident in teaching all undergraduate business, communications, and billing & insurance courses
- Prepares lesson plans, syllabi, projects and rubrics to meet curriculum requirements and competencies

Brown Mackie College Instructor; Bettendorf, IA — *October 2009-Present*

- Facilitates a learner centered environment to engage students in course material and objectives
- Utilizes E-College to evaluate student progress, facilitate discussion threads and communicate with students
- Highly sought out instructor to teach medial coding/billing and insurance, business and general education courses
- Prepared lesson plans, syllabi, projects and rubrics to meet curriculum requirements and competencies
- Provide management with the weekly assessment of student progress

Billing & Claim Specialist; Gomez Chiropractic –Bettendorf, IA — *June 2009- Present*

- Accurately code all diagnoses and procedures
- Submit all claims to the appropriate insurance company
- Follow claims through to completion
- Review processed claims and appeal denials as needed

Bradley® Childbirth Educator – Davenport, IA — *October 2006- July 2009*

- Taught families how to have natural births
- Discussed the importance of nutrition and exercise
- Trained the dads to assist the mother in labor

Medical Billing Claims Specialist; Larsen Billing – Davenport, IA — *April 2008- August 2009*

- Contacted insurance companies to obtain claim status
- Created monthly reports detailing all claim findings
- Utilized Medisoft, a complex database with patient/claim information
- Learned medical billing terminology and processes

College Financial Strategies Assistant; College Financial Strategies – Davenport, IA — *August 2007- April 2008*

- Processed all Financial Aid documents for all clients during the FAFSA process
- Interacted with customers to assist with college financial needs
- Scheduled client appointments

Business Banking, Wells Fargo Bank – Davenport, IA — *July 2003- July 2004*

- Reviewed client applications and tax returns for loan consideration
- Monitored client credit status
- Processed credit applications for loan applications
- Updated client files as needed to maintain current financial information

INTERESTS & ACTIVITIES

- Radio That Reads Volunteer - Augustana College *2011 - Present*
- Sunday School Teacher *2010 - Present*
- Liturgical Dance Instructor *2005 - Present*

Kimberly A Grimm

60 Park View Dr.
Eldridge, IA 52748
lphant2000@yahoo.com
563-210-1332 - cell
563-285-9559 - home

Objective

To advance my skills in Occupational Therapy a the teaching level

Education

Bachelor of Science in Occupational Therapy, 1992
St. Ambrose University

Relevant Work Experience

April 2012 – Present: Full time instructor in the Occupational Therapy Assistant program at Brown Mackie College

- Full time instructor teaching occupational therapy assistant students. Courses taught including Functional Anatomy II, Intervention in Mental Health, Intervention in Pediatrics, Intervention in Physical Rehabilitation, Intervention in Neurological Rehabilitation, and Intervention in Geriatrics.
- Monthly advisory meetings with OTA students

November 2010 - present: Occupational Therapist at St. Mary Rehabilitation and Nursing

- Evaluate and treat patients with diagnoses including orthopedic conditions, neurological conditions, and progressive conditions.

April 2008 - November 2010 : Occupational Therapist at Twin Rivers Physical Therapy

- Evaluate and treat adults and pediatrics with diagnoses including lateral epicondylitis, carpal tunnel syndrome, CVA, UE fractures, scleroderma, multiple sclerosis, and arthritis.

September 2007 – April 2012t: Contract Occupational Therapist with Providence Therapy

- Evaluate and treat patients receiving care at Winning Wheels Rehabilitation Facility and 2 other extended care facilities.
- Evaluate and treat adult home care patients.

June 2006 - December 2009: Owner/Sole Proprietor of Drive Rehabilitation

- Community based driver evaluation and training.

May 2006 - September 2007: Contract Occupational Therapist at CISonsite.

- Evaluated and treated diagnoses including carpal tunnel, UE tendonitis, shoulder injuries, and UE fractures at work sites. Also completed ergonomic evaluations of work stations, performed job position evaluations, and performed job analyses.

November 1994 - May 2006: Staff Occupational Therapist at Trinity Medical Center - Rock Island, Illinois

- Evaluated and treated diagnoses including various neurological impairments, orthopedic conditions, burns, and progressive diseases in adults and pediatrics. Primary setting was outpatient clinic and secondary setting was inpatient rehabilitation. Also performed wheelchair and positioning evaluations, measurement and fitting of JOBST compression garments, home evaluations, driver rehabilitation, and program development.

February 1993 - October 1994: Staff Occupational Therapist at Samaritan Health Systems - Clinton, Iowa

- Evaluated and treated patients on the skilled nursing unit. Diagnoses seen included total joint replacements, neurological impairments, and debilitation.

Professional Attributes

- Excellent Communication Skills
- Core values of integrity and honesty
- Committed to providing excellent therapy
- Willingness to learn new treatment techniques
- Ability to work independently and with a rehabilitation team
- Wide range of experience in various settings and populations

Teaching Experience

- Clinical supervision of Level 1 and Level 2 Occupational Therapy Students
- Clinical supervision of Level 1 and Level 2 Occupational Therapy Assistant Students
- Clinical supervision of pre-OT students from various colleges/universities
- Adjunct faculty at St. Ambrose University teaching Driver Rehabilitation
- Community Presentations including Driver Safety for the Older Adult and Driving Fitness for the Older Adult

Professional Licensure

Licensed in both Iowa

Professional Certification

Certified Driver Rehabilitation Specialists (CDRS) - 1999 - 2009

References:
Available upon request

Katie Roemer, CPC

Davenport, IA | Cell: 563-340-6002 | kroemer4@gmail.com

Career Overview

Physician educator focused on E/M coding compliance. Identify trends, patterns, and opportunities for improvement. Monitor all outpatient documentation compliance initiatives. Educate physicians and mid-level providers via one-on-one meetings and group sessions. Communicate regularly with providers and clinic staff regarding coding updates, changes, & requirements. Provide regular feedback to executives & practitioners.

Skill Highlights

- Experience with EMR/EHR
- Proficiency in Microsoft Office
- Hospital & physician coding
- ICD-9-CM, CPT & HCPCS
- Knowledge of third-party payers
- Excitement for ICD-10
- Attention to detail
- Confidentiality

Professional Membership/Certification

Certified Professional Coder, American Academy of Professional Coders (AAPC) 06/2010 – Current
Member Number: 01139948

Member, American Health Information Management Association (AHIMA) 07/2012 – Current
Member Number: 1688211

Professional Experience

Physician Auditing & Education Liaison, Genesis Health Group, Bettendorf, IA 10/2012 – Current

- Educate physicians and midlevel providers in multi-specialty outpatient coding compliance.
- Provide documentation education for ICD-9& ICD-10; E/M codes and all other CPT procedures.
- Identify opportunities for improvement and full capture of services rendered.
- Oversee outpatient coding compliance & documentation initiatives.
- Monitor coding weight and individual distribution of E/M codes under the bell curve.

Allied Health Adjunct Instructor, Brown Mackie College, Bettendorf, IA 01/2012 – Current

- Teach independent studies & full courses:
  - Computerized Diagnostic Coding (ICD-9-CM)
  - Computerized Procedural Coding (CPT & HCPCS)
  - Medical Insurance Processes
  - Professionalism & Communication in a Healthcare Setting
  - Introduction to Health Care Services
  - Medical Ethics

Continued

Certified Professional Coder, ORA Orthopedics, Bettendorf, IA 12/2009 – 11/2011

- Utilize EMR/EHR on a daily basis; code average of 150 encounters a day via chart audit.
- Analyze problems and issues regarding claim submission, denials, facility and surgery coding.
- Facilitate quarterly meetings with physicians and midlevels for coding education and improvement.

Account Services Representative, Community Health Care, Davenport, IA 05/2007 – 12/2009

- Code and data enter in- and outpatient procedures/visits for multiple specialties.
- Consistent record of improving productivity, reducing costs, and resolving complex departmental issues.
- Coordinate meetings with department managers and served as main liaison between internal and external contacts for preventative screening programs.

Seasonal CSR, APAC Customer Services, Davenport, IA 09/2006 – 03/2007

- Determine eligibility and insurance coverage for beneficiaries and medical providers.
- Effectively communicate and professionally interact with peers and clients.
- Maintain confidentiality and HIPAA compliance.

Administrative Assistant/Work Study, St. Ambrose University, Davenport, IA, 10/2004 – 10/2006

- Provide support for students, faculty and staff of the Student Success Center.
- Create databases and spreadsheets to improve productivity and reporting accuracy.
- Collaborate with department staff to ensure efficient office environment.

Academic Assistant/Peer Tutor, Kaplan University, Davenport, IA 04/2002 – 07/2004

- Improve communication efficiency as primary liaison between medical faculty and students.
- Support Academic Success Center director in managing operation work flow.
- Oversee daily office operations for staff of 10 tutors.

Technology

Coding/Billing Software/Programs: EncoderPro, MedAssets, CengageBrain, Intergy, Practice Analytics; EMR/EHR: OrthoPad, PowerWorks, PowerChart, IMNET

Education

Post Baccalaureate Certification: Western Illinois University – Health Services Administration 2013
Moline, IL

Bachelor of Business Administration: St. Ambrose University – Management 2007
Davenport, IA

Associate of Applied Science: Kaplan University – Medical Transcription 2004
Davenport, IA

KARA L. DEPAOLI
5206 Candlelight Dr. Davenport, IA 52806
563-940-9035
Email:
kdepaoli@brownmackie.edu

WORK HISTORY

2012- Current
EDMC-Brown Mackie College-Quad Cities
Position: Site Coordinator/Department Chair for Occupational Therapy Assistant Program
Duties: Supervisor for OTA Department. Collaborate with multiple administrative personnel, including regional program director. Ensure content and material for courses taught are appropriate. Assist in retention and attrition. Meet with potential students to field appropriate questions. Complete student advisement, academic achievement plans, and assist in tutoring sessions for various skill levels.

2007- Current
Trinity Visiting Nurses and Homemaker Association/Iowa Health Homecare
Position: Occupational Therapist
Duties: Evaluation, set up of plan of care, and follow-up treatments for patients in a homecare setting. Participation in team meetings, discussing patient progress and changes to plan of care for all involved disciplines. Training of new Occupational Therapists for computer documentation skills and policy/procedures. Clinical Instructor of occupational therapy students for all levels of fieldwork experience.

2005-2007
Midwest Therapy Centers
Position: Occupational Therapist
Duties: Evaluation, set up of plan of care, and follow- up treatments for patients in an out-patient therapy and long term care setting.

EDUCATION

Master of Occupational Therapy, August 2005
St. Ambrose University, Davenport, IA
Research Project: Sport Participation Among Children with Physical Disabilities

Bachelor of Arts in Psychology, May 2004
St. Ambrose University, Davenport, IA

CLINICAL EDUCATION EXPERIENCE

Level II
Manor Care, Davenport, IA, April -June 2005

Worked in Older Adult rehabilitation with individuals with diagnoses such as: strokes, cardiac and orthopedic problems.

Carle Hospital, Urbana, IL January -March 2005
Worked in pediatric out patient rehabilitation with diagnoses such as: autism, fine motor delays, developmental delays, shaken baby syndrome, FAS, cochlear implants, and sensory dysfunction.
Worked in acute care with diagnoses such as: CVA, TIA, pneumonia, MVA, AAA, cardiac problems, general debilitation, TBI, GSW, and cancer.

Level I
Older Adult- Manor Care, Davenport, IA (90 hours), Summer 2004
Adult Psychosocial-Community Support Program, Rock Island, IL (40 hours), Fall 2003
Adult Physical Disabilities-Carle Hospital, Urbana, IL (40 hours), Summer 2003
Pediatric-Robert Young, Moline, IL (20 hours), Spring 2003
Pediatric-Davenport North High School, Davenport, IA (20 hours), Spring 2003

COMPUTER SKILLS
Windows, Microsoft Word and PowerPoint, Internet, McKesson software, competent in moderate level iPad skills

JILL SOURDIFF, D.C.

1819 West 51st Street ε Davenport, IA 52806 ε 563-508-2858

PROFILE

Academic professional motivated to improve student learning and success by providing sound department planning, training and developing adjunct faculty, and working with other department leaders.

PROFESSIONAL EXPERIENCE

Department Chair – Allied Health Programs (2003 – Present)
Brown Mackie College-Quad Cities, Bettendorf, IA
Oversee Allied Health Programs including Medical Assisting, Medical Coding and Billing, and Healthcare Administration. Enrollment consists of 55% of the current student population at Brown Mackie College.

- Work directly with various medical professionals in our community including HR Personnel, Office Managers, Clinic Administrators and Physicians to place students in a professional environment to fulfill a student externship.
- Organize and facilitate multiple meetings and events on campus to include semi-annual Program Advisory Committee, Community Resource Fair, Adjunct Instructor Information Sessions, Annual Medical Assistant Week, Quarterly held Certification Exam
- Collaborate with Dean of Academics Affairs on potential new programs, campus persistence and survey analysis of student extern performance.
- Consult with Director of Career Services regarding student skills and capabilities as they apply to the workplace and the Externship to Hire initiative.
- Work closely with the Registrar to schedule classes and review academic progress.
- Perform advisements and academic achievement plans with academically at-risk students.

EDUCATION

DOCTOR OF CHIROPRACTIC (1996)
Palmer College of Chiropractic, Davenport, Iowa
Earned over 300 Graduate level credit hours

CHIROPRACTIC PREREQUISITES (1992)
Scott Community College, Bettendorf, Iowa
Earned over 70 Undergraduate level credit hours

Professional Development

- Brown Mackie College Business Ethics Policy and Code of Conduct
- BMC Customer Service In-Service
- BMC Dashboard Training
- BMC Virtual Academy
- BMC Facilitator Training
- BMC Academic Department Chair Virtual Academy

LICENSES & CERTIFICATES

Doctor of Chiropractic since 1997
Chiropractic National Boards I, II, III, IV and Physiotherapy
Certified American Red Cross Instructor

MEMBERSHIPS AND COMMUNITY INVOLVEMENT

Annual speaker at the Quad Cities Medical Managers meeting
Member of Brown Mackie College Graduation Committee
American Heart Association Heart Walk Participant
Member of BMC Allied Health Program Review Committee
Attended 2009 Medical Assisting Advisory Board for Delmar/Cengage Learning
Former Jackson Elementary PTA Vice President

References

Upon Request

JAMES E. MERRELL

4206 W. Lombard St. ● Davenport, Iowa 52804
815-222-4406 ● jmerrell@brownmackie.edu

EXECUTIVE MANAGEMENT: Operations • Sales • Marketing

Accomplished executive with over 25 years experience in engineering, operations, sales, marketing, and program management across commercial, aerospace, and defense industries. Spearheads manufacturing and successfully launches new products. Executes management and controls P&L accountability throughout all phases of operation. Utilizes team building skills to recruit, train, and coach employees with expertise in creation of global business teams.

Strategic Business Planning ● Contract Negotiations ● Sales & Marketing: Domestic/International
New Business Development ● Quality Assurance ● Process Improvement ● P&L Management
Sales Forecasting ● Product Design ● Operations ● Team Building ●Team Leading
Facility Startup ● Market Penetration ● Program Management ● Consulting

PROFESSIONAL EXPERIENCE

Brown Mackie College, Davenport, Iowa ● 2010 – Present
Adjunct faculty instructor specializing in math related courses. Taught 29 courses ranging from basic math fundamentals, college algebra to Small Business Management.

JEM CONSULTING, Davenport, Iowa ● 2008 – Present
Consulting firm providing technical, operational, business and strategic planning services.

Consultant

- Provided design and product evaluation of equipment and designed facility layout for more efficient work flow. Redesigned UL approved equipment to conform to CE standards. Assisted a management consulting firm with new business development and strategic planning services.

K-WAY PRODUCTS, Mount Carroll, Illinois ● 2000 – 2008
Manufacturer of beverage dispensing equipment serving the food and beverage industry worldwide for major clients such as A&W Root Beer, Gatorade, McDonalds, Pepsi, Taco Bell, and Kraft Foods.

President
Spearheaded production, sales and marketing and managed P&L, financial planning, and expenditures. Designed and engineered products. Developed alliances with top management in other corporations. Hired, trained, promoted and dismissed personnel. Designed and built environmental chamber for product testing.

Major Contributions:

- Improved earnings by 8% EBIT by introducing new lean manufacturing techniques.
- Reduced net operating expenses more than 20%.

ROCKFORD POWERTRAIN, INC., Rockford, Illinois ● 1999 – 2000
Manufacturing firm offering drivelines, mechanical clutches, torque converters, and fan drives to the off-highway, construction, transportation and mining industries.

Marketing Director
Identified target markets, assessed pricing, and developed strategies for communications and product promotions. Developed new products and created marketing tactics to introduce 2 new lines.

Continued…….

LITTON IINDUSTRIES, INC., LIFE SUPPORT DIVISION, Davenport, Iowa ● 1992 – 1998
Manufacturer of life support systems for military aircraft platforms and commercial applications.

Director, International Marketing ● 1993 – 1998
Developed International Marketing and Contracts Group, and negotiated numerous multimillion dollar international agreements in countries throughout South America, Europe, and Asia.

Major Contributions:
- Facilitated all international sales, accounting for 47% of annual BOP.
- Recruited, developed and managed nine independent representative organizations.

Director of Operations, Commercial Products ● 1992 – 1993
Prepared and presented product business plan to top management, and drove development of new product line from design phase to full production. Spearheaded establishment of new facility.

Major Contributions:
- Completed facility set-up and transitioned new product line from engineering to production, completing project 2 months ahead of schedule (within 8 months) and 10% under budget.

JEM MARKETING, Victoria, Minnesota ● 1990 – 1992
Consulting firm providing marketing and design services.

Consultant
Developed and discussed strategic business plans and new product strategies based on analysis of sales forecasts and projections. Recommended strategies for effective market penetration.

Major Contributions:
- Produced new commercial product business plan for Litton Industries, which led to employment with company to implement plan.

GHENT INTERNATIONAL, INC., Plymouth, Minnesota ● 1989 – 1990

Director of Marketing, Sales & Program Management

LITTON INDUSTRIES, INC., PRECISION GEAR DIVISION, Chicago, Illinois ● 1984 – 1989

Director of Marketing and Sales
Program Manager

EDUCATION

Master of Business Administration
Indiana University, Bloomington, Indiana

Bachelor of Science in Metallurgical Engineering (Research Assistant)
West Lafayette, Indiana

PROFESSIONAL MEMBERSHIPS

American Management Institute ● Society of Automotive Engineers
American Society of Lubrication Engineers, member and former committee chairman
American Society of Metals (Material Selection Committee)
Army Aviation Association

Howard R. Hyde M.A., M.Ed.

2121 LeClaire Street Davenport, IA 52803 (412) 983-5776
howardhyde@msn.com

EDUCATION / CREDENTIALS

University of San Diego – San Diego, California
February, 2008 **– CLAD Core**
Emphasis – Instruction for English Language Development for Grades 12 and Below
Duquesne University – Pittsburgh, Pennsylvania
May, 1999 **– Master of Education**
Emphasis – Advanced Pedagogy; English and Language Arts Instruction
Ball State University – Muncie, Indiana
December, 1996 **– Master of Arts in English**
Emphasis – Critical Theory; Textual Analysis; English and Language Arts Instruction
The Pennsylvania State University – State College, Pennsylvania
December, 1991 **– Bachelor of Arts in English and American Literature**
Degree Minor in Comparative Literature
Emphasis – Critical Theory; Textual Analysis; Comparative Literature Studies
Certification – Illinois: Secondary Level Instruction in English and the Language Arts (Provisional)
Certification - Pennsylvania: Secondary Level Instruction in English and the Language Arts (Lifetime)
Certification – California: Secondary Level Instruction in English and the Language Arts (5 year)
Crosscultural, Language and Academic Development Permit – California: Grades 12 and Below
Certificate of Compliance – "No Child Left Behind" **–** California Department of Education

TEACHING EXPERIENCE

June, 2011 – Present   **Scott County Community College** - Scott County, Iowa
Instructor

* Taught *Undergraduate ENG013: Basic Writing*
Undergraduate ENG105: Composition I
Undergraduate LIT101: Introduction to Literature
- Developed, implemented and assessed comprehensive English / Language Arts courses for community college students in a traditional classroom environment
- Established learning environments conducive to collaborative learning and student involvement
- Communicated constructive feedback to students, faculty and administration on an as-needed basis
- Maintained required academic credentials, continued to develop professional and technical skills, and remained current on related instructional software and education industry trends

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TEACHING EXPERIENCE, cont.'d

November, 2009 - Present
Instructor

Brown Mackie College: Quad Cities - Bettendorf, Iowa

* Taught *Post-Secondary EN0995 / EN0050 / SSE0050: Fundamentals of English*
Post-Secondary EN1101 / COM1101: Composition I
Post-Secondary EN1102 / COM1102: Composition II
Post-Secondary EN2000 / HUM2000: Introduction to Literature
Post-Secondary EN1200 / PSS1200: Business Communications
Post-Secondary CM1200 / COM1200: Effective Public Speaking

- Developed, implemented and assessed high-intensity, comprehensive English / Language Arts courses for non-traditional students in a vocational training environment via classroom and on-line venues
- Established learning environments conducive to collaborative learning and student involvement via classroom and on-line venues
- Communicated constructive feedback to students, faculty and administration daily and weekly
- Maintained required academic credentials, continued to develop professional and technical skills, and remained current on related instructional software and education industry trends

August, 2008 – Present
Instructor

Western Illinois University: Department of Education and Interdisciplinary Studies - Moline, Illinois

* Taught *Graduate / Undergraduate EIS405: Classroom Management*

- Introduced and reviewed various classroom management principles, theories and programs
- Assisted students in applying identified classroom management principles and theories to the classroom
- Aided students in identifying and discriminating effective and ineffective classroom management practices
- Helped students compare and evaluate various classroom management methods and their relative effectiveness
- Supported students in identifying common causes for, and possible repercussions of, "problem student" behaviors
- Advanced student understanding of current political and philosophical perspectives on classroom management issues in American public education

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TEACHING EXPERIENCE, cont.'d

August, 2007 – June, 2008 **San Marcos Unified School District: San Marcos High School**
Instructor - San Marcos, California

* Taught 3 sections of 11th grade College Prep American Literature
* Taught 2 sections of 10th grade College Prep World Literature
* Designed and implemented comprehensive unit and lesson plans, as required by state, county and district curricula
* Formulated, administered and evaluated comprehensive examinations and formal / critical essay projects
* Designed, oversaw and evaluated student development and presentation of topic-relevant research, multi-media and presentation projects
* Instructed students in bibliographical research methods and documentation
* Prepared students for, facilitated administration of, and tracked data detailing state and county standardized competency examinations
* Mentored Telecommunications Academy Student Cohort(s)

September, 2003 – June, 2007 **Wilkinsburg School District: Wilkinsburg Academy**
Instructor / Dean - Wilkinsburg, Pennsylvania
Tenured

* Taught English / Language Arts to urban, at-risk students grades 7-12
* Designed and oversaw implementation of individualized, remedial Language Arts courses for urban, at-risk students ages 13-18
* Designed and oversaw implementation of Behavioral Treatment & Intervention Plans (IEP supplements) for urban, at-risk students ages 13-18
* Designed and implemented comprehensive unit and lesson plans, formatted as required by state and district curricula
* Aligned all instruction to state Academic Standards and Assessment Anchors
* Formulated, administered and evaluated comprehensive examinations and formal / critical essay projects
* Composed and delivered supplemental Humanities Enrichment courses, including: History of the English Language; History of Art; Symbols in Context; and History of Philosophy
* Prepared students for, facilitated administration of, and tracked data detailing state standardized competency examinations (Foresight / PSSA)
* Conducted parent-teacher consultations across grade levels
* Instrumental in school program design, instructional procedures, and disciplinary protocols (Student Handbook composition, Student Advisory programming, Student Community Service programming)
* Served as Acting Dean, in advisory / supporting role to building principal

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TEACHING EXPERIENCE, cont.'d

August, 2000 – June, 2001 — **Frederick County School District: Frederick High School**
Instructor — - Frederick, Maryland

* Taught 2 sections of 11th grade Honors English Literature
* Taught 2 sections of 10th grade General American Literature
* Taught 2 sections of 11th grade Directed English Literature
* Designed and implemented comprehensive unit and lesson plans, as required by state, county and district curricula
* Formulated, administered and evaluated comprehensive examinations and formal / critical essay projects
* Prepared students for, facilitated administration of, and tracked data detailing state and county standardized competency examinations

RELATED TEACHING EXPERIENCE

September, 1999 – December 1999 — **Vincentian Academy / Duquesne University, Pittsburgh, PA**
Student Teaching — International Baccalaureate Program

November, 1997 – January, 1998 — **Duquesne University, Pittsburgh, PA**
Graduate Assistant — Saturday College

August, 1997 – December, 1997 — **Duquesne University, Pittsburgh, PA**
Graduate Assistant — Undergraduate Writing Program

August, 1996 – December, 1996 — **Ball State University, Muncie, IN**
Graduate Assistant — Undergraduate Writing Program

September, 1995 – May, 1996 — **Ball State University, Muncie, IN**
Student Tutor — Referred Undergraduate Studies Tutorial Program

August, 1988 – December, 1991 — **The Pennsylvania State University, State College, PA**
Student Tutor — Referred Undergraduate Studies Tutorial Program

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PEDIATRIC / ADOLESCENT MENTAL HEALTH EXPERIENCE

October, 2008 – August, 2009

*** Family Resources, Inc. – Davenport, IA**

Supervisor – Leslie Program Adjudicated Placement Unit

- Mastered COA / DHS / Medicaid Licensing Standards and requirements
- Reported to / advised Director / Associate Director of highest feasible quality of care program requirements
- Ensured completion of all funding agreement documentation
- Completed annual program goal completion updates
- Tracked overall program documentation for timeliness and quality, including: fire/disaster drills; incident reports; shift book data; daily logs; remedial skill; program level reviews; internal investigations; client complaints; Levels of Protection
- Developed and maintained program work plan based on program data
- Assisted in the coordination of tasks related to obtaining client eligibility and authorization for RSP services
- Provided community presentations as requested and needed
- Facilitated annual market analysis
- Participated in community-based projects
- Gained understanding of not-for-profit budget management, including: monthly budget review; annual budget development
- Embraced and enhanced campus / milieu teamwork
- Attended and participated in agency Supervisor's Meetings
- Developed and facilitated direct care staffing scheduling
- Provided and documented direct care staff orientation and on-going training
- Adhered to agency vision, mission and values

Addressed diagnoses: Attention-Deficit / Hyperactivity Disorder, Oppositional-Defiance Disorder, Reactive-Attachment Disorder, Post-Traumatic Stress Disorder, Obsessive-Compulsive Disorder, Disruptive Behavior Disorder(s), Pervasive Criminality Disorder

Intervention Strategies mastered: 3-Step Guided Compliance, Differential Reinforcement, Contingent Observation, Time-Out, Token Economy, Social Skills Strategies, Stress / Anger Management Strategies, Emotion Identification / Expression Strategies, Verbal / Non-Verbal Cueing, TCI Restraint(s)

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PEDIATRIC / ADOLESCENT MENTAL HEALTH EXPERIENCE, cont.'d

July, 2001 – April 2003
October, 1998 – July, 2000

*** Suzanne and Associates & Southwestern Human Services – Pittsburgh, PA**
Behavior Services Consultant

- Designed and revised Behavioral Modification / Treatment Plans for at-risk children ages 5-18
- Supplemented and reinforced the training of Therapeutic Staff Support Counselors in Best Practice Behavior Modification Protocols
- Coordinated and oversaw treatment staff implementation of Behavioral Modification / Treatment Plans, within proscribed hours, with assigned staff including: Therapeutic Staff Support Aides; Therapeutic Staff Support Counselors; and Mobile Therapists
- Worked to review enrolled client case notes for Best Practice Behavioral Modification Protocols implementation, progress toward stated goals, and clerical accuracy
- Conducted Clinical Supervision sessions for Therapeutic Staff Support Aides, Therapeutic Staff Support Counselors, Mobile Therapists, and Behavior Services Consultants
- Performed Intake Interviews for new and returning clients in preparation for Psychological evaluation, Behavioral Modification / Treatment Plan Composition, and Group / Outpatient therapies

<u>Addressed diagnoses</u>: Attention-Deficit / Hyperactivity Disorder, Oppositional-Defiance Disorder, Autism, Learning Disorder(s), Reactive-Attachment Disorder, Post-Traumatic Stress Disorder, Obsessive-Compulsive Disorder, Disruptive Behavior Disorder(s), Developmental Coordination Disorder, Pervasive Developmental Disorder

<u>Intervention Strategies mastered</u>: 3-Step Guided Compliance, Differential Reinforcement, Contingent Observation, Time-Out, Token Economy, Social Skills Strategies, Stress / Anger Management Strategies, Emotion Identification / Expression Strategies, Verbal / Non-Verbal Cueing, Discreet Trial, Passive Restraint(s)

Therapeutic Staff Support Counselor

- Implemented prescribed Behavioral Modification / Treatment Plans
- Assisted in the coordination of treatment plan implementation via Treatment Team communication protocols
- Attended extensive trainings in above cited Intervention Strategies and Data

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Davenport, IA 52806

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E-mail corifairch@gmail.com

Cori Fairchild

Education

Florida Institute of Technology Redstone Arsenal, AL

Master of Science in Management/Acquisition and Contract Management

- Graduated August 2001

Athens State University Athens, AL

Bachelor Degree in Business Administration in Management with a concentration in Procurement and Acquisition Management

- Graduated August 1999

Professional experience

2010-Current Brown Mackie College, Bettendorf, IA

Adjunct Faculty

- Instructing students in a variety of Business classes, including Small Business Management, Human Resources, Business Law I and II, Finance, Marketing, Payroll Management, Business Communications, Intro to Business, and Intro to Microcomputer Applications
- Using technology in the classroom to meet course objectives, including PowerPoint presentations, videos, DVD's, and iPad
- Evaluating students through the use of quizzes, exams, projects, papers and assignments
- Developing engaging in-class activities and using real life examples to assist in the learning process
- Providing feedback in a timely manner through email, telephone and on-line system
- Delivering instruction through face to face contact and on-line delivery through a learning management system
- Tutoring students on a one-on-one basis to help them overcome weaknesses in course content
- Creating course content and planning course material from required objectives
- Maintaining student records for attendance, grades and other requirements

2010-2011 Leapforce, Inc. (Independent Contractor for Google, Inc.)

Search Engine Evaluator

- Evaluating relevance of web pages based on specific criteria
- Analyzing search engine results for quality and content
- Documenting analysis and justifying ratings using strong writing skills

- Resolving analysis conflicts remotely with team members
- Researching a wide variety of subjects
- Staying current with world news, events and technology
- Identifying and quantifying web spam sites and deception techniques

2009-2010 Carleton Life Support Systems Davenport, IA
Contract Administrator

- Preparing proposals and quotations for customers
- Administering and making appropriate contract changes
- Negotiating cost proposals
- Entering sales orders and contract information
- Reviewing customer RFPs, RFQs, IFBs, and terms and conditions

2008 – 2009 Google, Inc. Contracted through Workforce Logic, Inc.
Quality Rater

- Evaluating relevance of web pages based on specific criteria
- Analyzing search engine results for quality and content
- Documenting analysis and justifying ratings using strong writing skills
- Resolving analysis conflicts remotely with team members
- Researching a wide variety of subjects
- Staying current with world news, events and technology
- Identifying and quantifying web spam sites and deception techniques

1997- 2003 Silicon Graphics, Inc./Silicon Graphics Federal, Huntsville, AL
Service Sales Representative

- Pricing commercial and government contracts
- Selling and negotiating new and custom support services
- Administering and resolving contract and customer related issues for the life of the contract
- Reviewing contract terms and conditions
- Developing and maintaining account profiles and plans
- Conducting account management reviews
- Forecasting and reporting revenue
- Generating new business
- Mentoring and training new employees
- Working as a team member to improve departmental processes and procedures
- Maintaining strong interdepartmental relationships with Order Entry, Legal, Engineering, Product Sales, and Credit departments
- Updating customer database

1995-1997 Silicon Graphics, Inc. Huntsville, AL

Field Administrator

- Coordinating service calls for Engineers
- Quoting and booking time and material contracts
- Assisting Branch Support Manager with reporting requirements and presentations
- Running and maintaining customer and revenue reports for Branch Support Manager and Engineers
- Performing yearly inventory checks
- Making travel arrangements for Branch Support Manager, Engineering, and Contracts
- Assisting Contract Representatives with quoting, contacting customers, and receiving orders
- Ordering office supplies

(Worked as a temporary employee with Silicon Graphics, Inc. through Kelly Temporary Services, Huntsville, AL 1994-1995)

Computer Skills

- Microsoft Word
- Microsoft Excel
- Microsoft PowerPoint
- E-College
- Clarify
- Microsoft Access
- Oracle

Honors and Memberships

- Delta Mu Delta Member
- Cum Laude Graduate

Curriculum Vitae 2013
Clifton Bethel, BA, DC, CCST
1014 West 59th Street, Davenport, IA 52806
(309) 314-1323

Education:

1. **Undergraduate**:
1978 - graduated Black Hawk College, Moline IL; A.A. degree
1980 - 1.5 years computer science courses Black Hawk College (no degree received)
1991 - graduated Marycrest University, Davenport, IA; B.A. degree Paralegal studies 3.93 GPA
1994 – Organic/Inorganic Chemistry, Anatomy & Physiology, Physics at Scott Community College, Bettendorf, IA

2. **Graduate**:
1997 - graduated Palmer College of Chiropractic, Davenport, IA; D.C. degree for Doctor of Chiropractic, Dean's List

3. **Postgraduate**:
Chiropractic Certification in Spinal Trauma (CCST) – International Chiropractors Association (ICA).
Biomechanics of Low-Speed Impacts: Injury Mechanisms - University of California at Riverside
Accumulated over 500 hours since 2000 (see attached list) including 120 hours in 2004-2005 for CCST program
M.S. in Nutrition- completed 33 of 37 hours at Huntington College of Health Sciences to date.
Diplomate Manipulative & Body Based Practices - American Association of Integrative Medicine

Clinical Experience:
In full time private practice as primary care chiropractic physician from 1997 to 2011.
In part time private practice as primary care chiropractic physician from 2011 to present

State Licensing
Current licenses in Illinois, Iowa, and Florida

Previous Medicolegal Experience:
Paralegal/case manager; client RJ Reynolds-wrongful death suits. Jones, Day, Reavis & Pogue, Washington D.C. 1991-1993.

Undergraduate Teaching Experience:
2002 to 2007 - Adjunct faculty in the Natural Science & Engineering department at Black Hawk College, Moline, IL teaching Anatomy & Physiology I & II, and Human Biology primarily to students in R.N., Radiology Technology, Physical Therapist, Massage Therapist and other healthcare career programs.

2010 to present- Adjunct Faculty in Medical & Health Sciences department at Brown Mackie College, Bettendorf, IA teaching Advanced Medical Terminology, Human Diseases, Human Diseases, Medical Ethics, Professionalism, Medical Administrative Procedures and Communication in Healthcare; and in the Criminal Law and Legal System Department teaching Legal Research, Legal Writing and American Judicial System.

Speaking engagements:
CAM – Herb/Drug Interactions at Scott Community College AND Program May 2, 2013, Bettendorf, IA
Type II Diabetes – Causes, medications and effect of fasting at FCPA Seminar August 3-5, 2012, Orlando, FL
Patient Case Management Atypical Diagnoses, at FCPA Seminar February 18, 2012, Orlando, FL
Patient Case Management Atypical Diagnoses, at IPSCA Fall Convention October 8, 2011, Normal, IL
Patient Case Management Atypical Diagnoses, at IPSCA District 7 meeting April 6, 2011, Moline, IL
Influenza at the Moline Activity Center, October 20, 2009, Moline, IL
Chiropractic Nutrition, at ISPCA District 7 meeting October 7, 2009, Aledo, IL.
Omega3 and Omega 6 essential fatty acids at the Institute for Cultural and Healing Traditions at the Moline Club in Moline, IL November 1, 2008

Speaking engagements cont'd:
Chiropractic in Russia Project, at IPSCA District 7 meeting March 7, 2007, Moline, IL
Keynote speaker on the topic of the "Science of the Vertebral Subluxation" at the First International Chiropractic Symposium in the Russian Federation, St. Elizabeth Hospital in St. Petersburg, Russia May 26-27, 2005

Professional Affiliations:
Florida Chiropractic Physician Association (FCPA) – President 2012 to present
First Chiropractic Physician Association of America (FCPAA)– President 2012
Florida Chiropractic Association (FCA)
Illinois Prairie State Chiropractic Association (IPSCA)-Vice president District #7 2009-2011
American Chiropractic Association (ACA)
American Association of Integrative Medicine (AAIM)
Tobacco Free Quad Cities (TFQC)
Council on Applied Chiropractic Sciences (CACS)
American Public Health Association (APHA)

Honors and Awards:
Board of Directors – CAFE (Clean Air For Everyone) Iowa CAN (Citizen Action Network) – 2008/2010
Certificates of Appreciation 2000, 2001from IA / IL Center for Independent Living – for organizing the first "Totally Accessible Performance Benefit" in the state of Illinois for the Deaf, Hard of Hearing, Blind, Visually impaired and persons using wheelchairs in Moline, IL
Forum of Distinguished Americans – 1973

Other certifications/ courses
Chiropractic Certification in Spinal Trauma (CCST)
Certified Cranial Release Technique (CRT)
Certified Paralegal –Marycrest University
Master SCUBA Diver - Professional Association of Dive Instructors (PADI)
Rescue Diver - PADI
Dive-related First Aid
DAN Oxygen Provider – Diver Alert Network at Duke University School of Medicine

Continuing Education
Currently completing Capstone for Masters of Science Degree in Nutrition, Huntington College of Health Sciences, Knoxville, TN

2013
Third World Medicine

2012
Recordkeeping & documentation
Medical doctors and Chiropractic doctors working together
Antioxidants

2011
Herbal Medicine Safety Issues
HIV/AIDS: Immune Support for Our Compromised Patients
Ethical Boundaries and Vitamins
Current Trends (in Nutrition Research)
Peripheral Neuropathy

2011 cont'd
Condition Based Rehabilitation for the Spine and Extremities

2010
Nutrition Research
CITI-Social & Behavioral Sciences Responsible Conduct of Research-University of Miami
Nutrition in Chiropractic
Advanced Clinical Nutrition
Electronic Health Records & Information Exchange
Domestic Violence-Sarasota Memorial Hospital
Advanced Nutrition

2009
Neurology for the Practicing Chiropractor
Nutritional Neurology
Impairment of the Spine Overview of AMA Guide to Evaluation of Permanent Impairment 6th Ed.
Adrenal Health and Your Patients
Neuromuscular Aspects of Small Office Functional Rehabilitation
Hands-on Pain Relief Tools for Acute Pain
Prevention of Medical Errors: Serious Adverse Effects of NSAIDS
Review Chapter 456 and 460 Florida Statutes
Medicare Guidelines 2009

2008
Manipulation loads measured during Chiropractic procedures
Physical Therapy & Chiropractic
Nutritional Neurology
Neurology evaluation & treatments in back problems
Cranial Release Technique Certification
Neuromechanical Advances in Chiropractic
Creating Changes that Create Success
Foundational Nutrition in Chiropractic Practice
Five Ways to Mitigate Pain
Body Nourishment & Weight Management in Chiropractic Offices
Review of Most Recent Studies on Nutritional Treatment of Degenerative Spinal Pain

2007
Applied Nutritional Concepts II
National Boards Part IV
National Boards Specialists-Review
The Science of Wellness
X-Ray interpretation lumbar radiographs
Biggest subluxation in Chiropractic
Doctor-Patient Relationship
Letting go
Annual Roentgen Roulette
The Science of Chiropractic subluxation & Neurology
Chiropractic & High Blood Pressure
Group Educational programs for better patient compliance

2007 cont'd
Patient education
Digital X-Ray Imaging
Chiropractic Care for Hockey players
Chiropractic in Russia Project
Arthritis radiology refresher
Chiropractic & Animals
Chiropractic Care for Senior citizens
Chiropractic Legal Seminar
Scoliosis & Bilateral Asymmetry

2006
Supervision seminar
Evidenced Based Chiropractic Care
Smoking Cessation education for Chiropractic patients
Mechanisms, Diagnosis, Classification & treatment of
Common Causes of Cervical, Thoracic and Lumbar Back Pain
Destination Excellence
Common Mistakes in Evaluation & Management of the Shoulder
Subluxation Update
Neuroimmunology
Belief Systems and Chiropractic Philosophy
Preparing for Deposition & Trial
Miracles of Chiropractic

2005
Trauma Neurology
Principles of Soft Tissue Injury and Repair
Mechanisms of Vehicular Accident Injury
Accident Imaging: X-ray, MRI, CT, VF & Analysis
General Clinical Trauma Management
Recordkeeping, Patient Examinations, & Documentation
Diagnosis, treatment Rehabilitation
Practical Clinical Case Management, Part 1
Chiropractic demonstration project

2004
Diagnosis, treatment Rehabilitation:
Practical Clinical Case Management, Part 2
Chiropractic Jurisprudence
Spinal Trauma Integration
PsychoNeuroImmunology
Phospholipid Neurobiology
Radiology of Whiplash
Professional Boundaries/Sexual Harassment
Patient Education
Conquering Adversity
Subluxation Neurology
Sport Supplementation

2004 cont'd
Patient's Point of View
Nature, Nurture and the Power of Love
Life in Motion
Referral Based Practice

2003
Hospital Out-Patient & Radiology Protocols

2002
Extremity Rehabilitation
Rehabilitation and Biomechanics
Instrumentation and Technology
Diagnosis & Treatment
The Secret of the Expert Witness
Philosophy Brought to Life
Radiology: 36-hour program
- Interpretation & Reporting
- Imaging the Spine
- Film Quality/Imaging the Bone & Thorax

2001
Risk Management
Chiropractic Nutrition 102

Charles M. Harris

2724 Roosevelt Street

Clinton, IA 52732

563-357-6299

charlesmharris@msn.com

Goal

To further my chosen career path as an educator by establishing myself as an instructor in a higher education setting. Thereby demonstrating to future “non-traditional” students that goals can be set and accomplished no matter the ethnic, social, or financial background that they may have had before deciding to continue their education.

Education

Ashford University, Clinton, IA
Masters of Education — Graduation Apr 2012
Concentration in Higher Education
GPA 3.18/4.0

Ashford University, Clinton, IA — Graduation Dec 2009
B.A. Liberal Arts
Concentration in History, Sociology, Psychology
GPA 3.86/4.0
Presidents List 2008-2009

Clinton Community College — Graduation May 2008
A.A. Liberal Arts
Concentration in Education
GPA 3.76/4.0
Presidents List 2007-2008
National Deans List 2008

Course Highlights

- U.S. History 1777 to Present
- American Women’s History 1760 to Present
- The American Civil War
- World War I & II

Related Experience

Adjunct Instructor, Brown Mackie College — Dec 2012 to Present

- Instructor in Psychology and Sociology.
- Tutor for students in Basic courses.
- Member of Brown Mackie College Activities Committee.

- Member Brown Mackie College Instructor/Staff Professional Development Committee

Student Tutor, Clinton Community College Aug 2007 to May 2008

- Tutored students in various subjects taught at Clinton Community College

Training Manager, Murphy Oil Corporation June 2002 to Sept 2006

- Instructed new managers in all facets of Retail operations for 4 years.
- Officiated openings of 45 new retail locations in a five state area.
- Constructed general report forms for District and Regional use.

Regional Assistant Area Manager, RGIS Inc. Dec 1999 to June 2002

- Supervised inventories in corporate settings.
- Trained employees in proper inventory techniques.
- Training and management of computerized inventory equipment.
- Maintaining employee and client inventory records.

Assistant Manager, Eagle Food Centers Aug 1986 to Nov 1997

- Supervised over 100 employees in daily operations.
- Maintained training schedules for existing and new employees.
- Conducted computer ordering and delivery program training for employees.

United States Army/Army Reserve June 1982 to July 1996

- Acted as an inspector for the Army Maintenance Management Program as part of Post Inspection Team.
- Authored Standard Operating Procedures for maintenance departments for 6 Battalions.
- Trained and licensed Soldiers in use of Army vehicles and equipment.
- Liaison between civilian contractors and U.S. Army.
- Part of new vehicle indoctrination/acceptance team.

Areas of Proficiency and Training

- Microsoft Office
- Power Point Presentations
- Smart Board Applications for Classroom Use
- Technology Integration in the Classroom
- Creating a Distance Learning Classroom

Activities and Groups

- Vice President Phi Theta Kappa Honor Society Aug 2007 to May 2008
- Co-Creator Ashford University Environmental Association May 2009
- Co-Creator Ashford University Psychology Club August 2009
- Ashford University Scholar's Institute Aug 2008 to Dec 2009
- Ashford University Junior/Senior Honor Society Jan 2009 to Dec 2009

- 32nd Wisconsin Infantry-5th Alabama Calvary-7th Georgia Infantry
  Civil War Reenactment Groups May 1981 to Aug 2007
- Guest Speaker Race Relations Seminar Ashford University Spring/Fall 2009 to Present

PROFESSIONAL AND PERSONAL REFERENCES PROVIDED BY REQUEST

CATHLEEN VILMONT

Current Address

6766 Ridges Ct
Bettendorf, IA 52722

Mobile phone number
(563) 650-5258

Email: Cvilmont@icloud.com

Acquired Skills

- Proficient in Microsoft Word, Microsoft PowerPoint, Microsoft Excel, Microsoft Outlook, Keynote, Pages, Adobe InDesign, Adobe Dreamweaver, Adobe Photoshop, and more
- Facilitator Training Course completed through EDMC
- Experience in clerical positions- KALA intern, Administrative Assistant in the Iowa House of Representatives, Scott Community College Student Services and New Student Center
- Work Desktop publishing with Augustana's East Hall Press

Education

Studies in TV/Radio Broadcast with Concentration in Production & Journalism with a Music minor Aug 2010-May 2011
St. Ambrose University Davenport, IA

Bachelor of Arts in English May 2007
Augustana College Rock Island, IL

Associate of Arts & Associate of Science in Liberal Arts December 2005
Scott Community College Davenport, IA

Studies in Material Science and Engineering August 2001-December 2003
Iowa State University Ames, IA

High School Diploma May 2001
Davenport Central High School Davenport, IA

Employment Experience

Area Representative

World Heritage Organization Laguna Beach, CA March 2013 – Present

- Host family home visit; Student orientation; Host family orientation; Monthly contact and communications with student and host family; Keep contacts with the secondary school to obtain report card; Three cultural activities with the foreign exchange student; Department of State Training; Documentation in tracking logs; Focus on solutions for problems between the exchange student and host family

~10 hours a week

Adjunct Faculty in General Education

Brown Mackie College Bettendorf, IA June 2012 – Present

- Teach English Composition I & II, Introduction to Literature, and Professional Development; Formal lesson plans; Compile online component with discussion boards, assignment breakdowns, journal, webliography, dropbox, and grade book; Input daily attendance and make phone calls to students who are not present in the classroom; Early alert forms; Midterm advising; Tracking agreement forms for returning students and those who need to meet a minimum GPA to continue; Department meetings, faculty meetings and staff meetings

~30 + hours a week

Teaching Assistant

Ashford University Clinton, IA Nov 2008 – Aug 2009

- Grading students' papers with an online grading system; Answering discussion posts; Editing and providing feedback on drafts; Working closely with a teacher to fulfill students' needs

~30 hours a week

Administrative Assistant to Rep. Linda J. Miller

Iowa House of Representatives Davenport, IA Feb 2008 – May 2008

- Filing bills; Scheduling appointments; Creating a weekly newsletter; Receiving and sending out mail; Organizing points for upcoming discussions

~40 hours a week

Barista @ Arrabelle @ Vail Square

Starbuck's Coffee Company Vail, CO Dec 2007 – Feb 2008

- Grand opening; Store preparations; Prepare coffee, espresso, & blended beverages; Cashier; Stocking; Opening & closing duties

~40 hours a week

Evening Server

Front Street Brewery Davenport, IA April 2005 – Jan 2007

- Wait tables; Close store; Use point-of-sale system; Banquet set-up; Cleaning; Stocking

~25 hours a week

Data Entry

Genesis Insurance Plan Bettendorf, IA October 2005 – February 2006

- Enter short hand messages into spreadsheet program into a database for easy access and storage

~20 hours a week

Receptionist and Clerical work

Scott Community College Davenport, IA April 2004 – August 2005

- Data entry; Scanning and inputting student documents; Answering student's questions by phone; Printing transcripts; Mass mailings; Registration for classes; Adding and dropping classes
- ~28 hours a week

Honors/Activities/Publications/Performances

- Director of the Brown Mackie College Student Tech Club 2012-Present
- Member of the Brown Mackie College Faculty Tech Club 2012-Present
- Member of the Brown Mackie College Library Committee 2012-Present
- Member of the Brown Mackie College Scholarship Committee 2012-Present
- Presenter with publications displayed for Figge Art Museum's *Waxing Poetic Exhibit* 2012
- Director of Recruitment/Events and Bout Productions for the Quad City Rollers Flat Track Roller Derby League 2011-2012
- *The Buzz* Staff Writer 2011
- KALA Senior Intern 2011
- St. Ambrose Community Symphony Orchestra 2010-2012
- Midwest Writing Center member 2010-Present
- Member of the Midwest Buddhist Education Center 2008-Present
- Living Land and Waters River X-stream Clean-up participant 2007-Present
- "Open Mic" night original compositions with poetry, harmonica, and cello 2005-Present
- The National Dean's List 2005
- Amy Helpenstell Scholarship 2005-2007
- After Hours Poetry meetings 2005-2007
- Chi Omega Sorority 2002-2004
- Women in Science and Engineering 2002-2004
- Iowa State University Basketball Cheer Squad 2002-2003
- Teaching aid to Mr. Shupe and Mr. Richter at Davenport Central High School 2000-2001
- National Honor Society 1998-2001

References

- Amir Arbisser M.D.

  563-323-8888 W
  2122 Winding Hill Rd.

  563-355-8776 H Davenport, IA 52807

- Ralph Iaccrino

  563-359-5522 H
  115 McClellan Blvd.
  Davenport, IA 52803

- Carolyn Koch – Chapter Administrator Illinois College of Surgeons 309-786-4227 H
  4003 46th Ct.
  Rock Island, IL 61201

- Roman Scholtz

  563-359-7376 H
  3826 Windsor Pines Ct.
  Davenport, IA 52807

BARBARA DIVELEY-WIEDENMANN, CMA(AAMA), MT (ASCP), MSED
8821 120th Ave
Coal Valley, IL 61240
(309) 799-7809 H (309) 781-7227 (cell) **Wiedenmannfarm@gmail.com**

Resume Objective: Looking for a challenging Instructor level position that allows me to contribute my Teaching Experience, Instructing, Education and Leadership skills to the Community college.

Teaching Experience:

Brown Mackie College, Bettendorf, IA ***Instructor*** 4/2012-6/2012 and 5/2013
Health Information classes - 4 classes

Black Hawk College, Moline, IL Instructor 1/1993 - 5/2013 (not continuously)
Procedure and Diagnosis Coding I - HIM 257 - 6 semesters
Health Information Management – HIM 156 - 8 semesters
Introduction of Human Biology and labs (Bio 101) - 14 semesters
Anatomy and Physiology Labs (Bio 145, Bio 146) – 7 semesters
Environmental Biology (Bio 200) – 5 semesters
Other classes taught at BHC: Medical Assistant classes, Kinesiology, Phlebotomy, CPR and First Aid (AHA), Medical Terminology.

Scott Community College, Bettendorf, IA Instructor 2009 - 5/2011
Anatomy and Physiology Bio 168 - 4 semesters

Carl Sandburg College, Galesburg, IL Instructor 2005- 2008
Medical Assisting Courses (Medical Procedures, Ethics, Pharmacology), Phlebotomy, Externship.

Moline School District #40, Moline, IL Substitute 11/2007 - currently
Substitute teaching mainly at High School level. - Sub about 2 days/month

Sherrard Community School District, Sherrard, IL Substitute 11/2007 - currently
Substitute teaching mainly at High School level. - Sub about 6 days/month

Teach CPR and First Aid at Black Hawk College and Independently for American Heart Association (AHA).

Professional Experience:

Wiedenmann Family Farm, Coal Valley, IL Owner 3/2009 - 12/2010
Ran a private Horse Riding/Pony Party business.

Metropolitan Medical Laboratory, Moline, IL Medical Technologist 7/1996 - 4/1998
Worked in Chemistry Department, running Analyzers, Quality Control checks, reporting to Physician offices, supplying information to Front Office for Coding and Billing, Computer reports, Daily activity logs, Teaching New Technicians, Fill in at Departments that needed assistance.

Education:

WESTERN ILLINOIS UNIVERSITY, Macomb, IL
Masters of Science in Education 1998.

ILLINOIS STATE UNIVERSITY, Normal, IL
Bachelor of Science in Medical Science 1987.

SAUK VALLEY COLLEGE, Dixon, IL
Associates in Applied Science, Medical Lab Technician and Associates of Science 1985.

Volunteer Organizations:

MISSISSIPPI VALLEY CHAPTER OF MEDICAL ASSISTANTS, Moline, IL
President (1996-2002) Vice President (1994 – 1996, 2000 –2001)
Member 1992 - current

CHRIST UNITED METHODIST CHURCH, East Moline, IL
member 1992 - current
Crochet Prayer blankets 2013 - current
Trustees Co chair 2010 - 2011
Trustees 2003 - 2006

CHRISTIAN FAMILY CARE CENTER, Rock Island, IL
Volunteer for Women's Shelter 2003 - 2009

NEW KINGDOM TRAILRIDERS, Moline, IL
Volunteer Instructor for Horseback riding 2008-2011

4-H LEADER AND HORSE BOWL COACH, Rock Island/Mercer county
2009- current

ALAN BARCHMAN
5200 Villa Dr #53
DAVENPORT, IA 52806
Home: 563-386-2756 Cell: 563-505-3900
abarchman@gmx.com

July 12, 2013

JOB OBJECTIVE:

I am looking for a technical position doing system design and programming. My strength is communicating with users and developing applications suited for their needs. I specialize in complete systems solutions from initial design to implementation.

LANGUAGES:

Delphi, Visual Basic, C and C++ (Borland C++, Microsoft Visual C++)
PHP Ver. 5, HTML 5, Javascript (including jQuery), Java, XML
BASIC (Quick BASIC, and GWBASIC), FORTRAN, COBOL, PL/I (mostly obsolete)
Assemblers (8088-80486, 8080, Z80, 68000 series, 6800, 6809, 6502, some minis & mainframes), all obsolete.

Databases:

MySQL
MS-SQL Server (SQL & stored procedures)
Sybase Anywhere
Oracle (SQL, PL/SQL, Pro-C, including query tuning, slight Oracle administration)
Microsoft Access (Including Visual Basic for Applications)
Clarion Professional Developer (DOS & Windows versions)
FoxPro, dBase IV, Revelation

Operating Systems:

Windows-95, 98, NT, XP, Vista
Unix (SCO & HP-ux)
Linux (Red Hat, SUSE)
MS-DOS

WORK HISTORY:

NOV 2012-Current — Teach various courses at Brown-Mackie College on a part time basis.

AUG 2011-Current — Develop a website for public use. The site is www.what-todo.org. It is written in PHP with a MySQL database. (Self employment).

NOV 2006-AUG 2011 — CSDP Contract Programmer Analyst
4374 State Street, Suite 1A
Bettendorf, Iowa 52722

Worked on several programming projects for CSDP and their clients:

a) Developed extensive QA applications implemented on a local intranet, written in ASP VBScript, HTML and Javascript. Used AJAX and data verification on forms, all connected to Microsoft SQL Server 2005.
b) Modified an application to add a feature to export a report to Microsoft Word, including creating web links in the word document.
c) Rescued a MS-SQL database from a corrupted hard disk drive and moved it to a new system. A backup process was also created.
d) Worked on a legacy DOS Foxpro system for updates of long needed Y2K issues and set up a backup process. There were also GW-BASIC programs that needed some updating.
e) Upgraded a Microsoft SQL Server 97 system to a SQL Server 2005.
f) Modified an Access database for needed updates due to business needs, involving table updates and VBA code changes.
g) Modified an Access database to reference external tables in MS-SQL Server instead of internal tables. The purpose was to speed up the application over a network by removing the data from a huge Access file thus optimizing network traffic.
h) Assisted in the implementation of a fingerprint scanner for a restaurant POS system using Linux with PHP and Ruby-on-Rails. The project required a program in C with an interface to a MySQL database.
i) Modified a VB program that parses information out of a series of Microsoft Word documents.

FEB 2004-OCT 2006 — CSDP Contract Programmer Analyst
FIDLAR ELECTION COMPANY
4450 48th St.
ROCK ISLAND IL 61201

Developed a system from scratch in Delphi to automate the production of optical scan voting ballots. This involved heavy database design with interfaces to Sybase Anywhere, MS SQL Server, and MS Access. The system would create customized PDF files using a third party software component. This also entailed modifying some reports using Crystal Reports.

DEC 2002-FEB 2004

Developed websites for small businesses.

AUG 1993-NOV 2004 KING FOOD SERVICE
7810 46th St West
ROCK ISLAND IL 61201

Developed a complete order entry system from scratch using 486s on a Lantastic AI LAN. The selected database was Clarion Professional Developer due to its powerful code generator. I studied work flow patterns while optimizing keystrokes for programs requiring speed during contact with the customer. Custom report programs were written to identify potential lost business. Once the ordering system was finished, I developed a billing system as an add-on to the order system. (Part time basis only)

OCT 1996-JAN 2001 APAC Customer Services (formerly APAC Teleservices)
250 E. 90th St.
DAVENPORT IA 52806

Participated in the development of a scripting system, utilizing SCO & HP-UX Unix and a Windows NT network. I maintained an Oracle database (quite extensive), Unix database in FoxPro (including Codebase in C), and a scripting system (written in Visual Basic Ver. 4). I also created some VB utilities to facilitate daily error corrections, table loading programs in Pro-C, and extensive shell scripts in Unix. My last functions were involved in maintaining reporting programs for both inbound and outbound scripting systems, including maintenance of the company intranet site and its real time data presentation screens.

OCT 1995-DEC 1996 BEST BUY
3562 N. Brady St.
DAVENPORT IA 52806

Sold computers and related products, stocked the shelves, priced product, and maintained various retail areas.

SEP 1984-MAR 1987 EDWARDS BAKERIES OF DAVENPORT
NOV 1989-AUG 1995 3718 ROCKINGHAM RD.
DAVENPORT IA 52802

First time period: Developed a production scheduling system on a RADIO SHACK MODEL 12. The system was developed from scratch and uses many custom file data structures. Due to the system and software available, it was written in BASIC. (Part time basis only)
Second time period: Moved the complete scheduling system from a RADIO SHACK MODEL 12 to an IBM compatible. This involved developing custom programs dealing with the serial communication ports and filters for program conversion. Also I added labor costing to the system I developed. (Part time basis only)

MAY 1981-MAR 1989 Q.C. PATHOLOGISTS GROUP
St. LUKE'S HOSPITAL (now GENESIS MEDICAL CENTER, East Campus)
1227 E. RUSHOLME
DAVENPORT IA 52803

Assisted in the development of a result reporting and billing system on a Wang 2200MVP mini-computer. The result reporting system involved both hardware and software support. My functions included programming with consideration of both workflow patterns and legal constraints. I also was responsible for any hardware interface programming. In addition, I maintained a pathology billing system on an IBM PC-AT written in Quick BASIC involving accounts receivables and profit-loss reports.

MAY 1981-APR 1985 Q.C. PATHOLOGISTS GROUP
METROPOLITAN MEDICAL LABORATORY
1814 E. LOCUST ST.
DAVENPORT IA 52803

Created a result reporting system similar to St. Luke's system except using a VICTOR 9000 Local Area Network. The position dealt much with component interfacing and assembly language programming. Our LAN was one of the first beta test units in the country. I developed many unique strategies to overcome bugs in the system software.

Since 1980: There have been many independent consulting jobs where the work that I would do would range from one day to two weeks. Any specific information is available upon request.

EDUCATION:

1972-1976	DAVENPORT WEST HIGH SCHOOL	Diploma
1976-1980	MARYCREST COLLEGE	B.A. in Computer Science
	(incl. SCOTT COMMUNITY COLLEGE for electronics portion of degree)	
1980-1981	IOWA STATE UNIVERSITY	Graduate Program

TECHNICAL SKILLS INVENTORY

Product or Language	**Ability 10=Expert 1=Have Used**	**First Year Used**	**Last Used**	**Business Type**
PHP	10	2009	Present	Website Development
HTML (incl. Javascript)	9	1997	Present	Website Development
VBSrcript (ASP)	9	2007	2011	Intranet Site Development (On Contract)
Visual Basic	9	1999	2007	Telemarketing
Delphi	10	1996	2009	Several
Java	5	1998	2007	Several
C & C++	8	1989	2002	Telemarketing
Linux	9	2001	2008	Telemarketing, Restaurant POS System
UNIX	9	1996	2001	Telemarketing
Windows 7	8	2011	Present	General
Windows Vista	8	2007	Present	General
Windows XP	8	2002	Present	General
Windows NT	3	1998	1999	Insurance Office
Windows 98	7	1998	2004	General
Windows 95	7	1995	2002	General
MS-DOS	10	1981	2002	General
MySQL	9	2007	Present	Website Development
MS-SQL	7	2005	2011	Election Ballot Printing, Intranet QA Website
Sybase Anywhere	7	2005	2008	Election Ballot Printing
Oracle SQL	9	1996	2001	Telemarketing
Oracle Admin	6	1996	2001	Telemarketing
Oracle PL/SQL	8	1996	2001	Telemarketing
Microsoft Access	9	1996	2007	Telemarketing, Manufacturing
Microsoft Excel	10	1996	2006	Telemarketing
Clarion for DOS	10	1989	2002	Food Wholesale, Manufacturing
Clarion for Windows	7	1997	2001	Financial Office
dBase	6	1990	1993	Insurance Office
FoxPro	5	1996	2007	Telemarketing, Contract Project
Revelation	3	1987	1989	Medical Lab
Assembly Language	10	1978	1995	Medical Lab, Personal
BASIC	10	1982	2007	Bakery, Contract Project
Fortran	7	1978	1980	College
COBOL	6	1978	1980	College
PL/I	8	1978	1980	College

Reference: John Schwegler (CSDP) 563-441-0270

Attachment 6 - Policies

Family Policy Compliance Office
United States Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202-4605

Firearm Policy

Brown Mackie College – Quad Cities is committed to maintaining workplaces and educational environments that are free of violence. This obligation includes eliminating recognized hazards that contribute to violence or serious harm.

a. This Policy applies to anyone on Brown Mackie College – Quad Cities premises, unless otherwise prohibited by law.

b. Firearms, including concealed weapons, are not permitted on Brown Mackie College – Quad Cities premises and/or at Brown Mackie College – Quad Cities events, except that **sworn members of a law enforcement agency acting in performance of their duties and/or employees of a licensed armored car service providing contracted services to Brown Mackie College – Quad Cities or to Brown Mackie College – Quad Cities' vendors and contractors (where approved by Brown Mackie College – Quad Cities) may carry weapons.**

c. Firearms are not permitted in any vehicle while the vehicle is parked on Brown Mackie College – Quad Cities property, whether said property is owned or leased by Brown Mackie College – Quad Cities or provided to Brown Mackie College – Quad Cities for its use, except where otherwise required by law.

d. Any employee or student who becomes aware of a violation of this policy should immediately notify Human Resources, the President or a member of management or a member of school staff.

Violation of this policy is considered a serious offense that endangers the safety of anyone on Brown Mackie College – Quad Cities premises. Any person violating this policy may be required to leave Brown Mackie College – Quad Cities premises. Employees violating this policy are subject to discipline, up to and including termination. Students violating this policy are subject to suspension or dismissal from school.

Drug and Alcohol Prevention Program and the Drug-Free Workplace and Campus Program

Standards of Conduct

The use of illegal drugs and the abuse of alcohol on the campus of Brown Mackie College – Quad Cities or in facilities controlled by the Brown Mackie College – Quad Cities are prohibited by college regulations and are incompatible with the Brown Mackie College – Quad Cities goal of providing a healthy educational environment for students, faculty, staff and guests. The following information is provided in compliance with the Drug-Free Schools and Communities Act Amendments of 1989.

Effects of Drugs and Alcohol

Although individuals often use drugs and alcohol to achieve a variety of effects on mind and body that are found to be temporarily useful or pleasurable, drugs can be highly addictive and injurious. A person can pay a price in terms of his or her physical, emotional, and social health.

This price can be paid in a number of ways. The risk of contracting sexually transmitted diseases, including AIDS, is increased through unwanted or unprotected sex when one is under the influence of drugs or alcohol. Drugs can be the trigger for violent crime. Economic and legal problems usually follow directly when one tries to support a drug habit by resorting to crime. The dependence, illness, loss of job, and loss of family or friends that can result from drug or alcohol use and abuse can be tragic.

In keeping with the mission of Brown Mackie College – Quad Cities and the requirements of state and federal law, Brown Mackie College – Quad Cities has adopted this program to ensure a drug-free campus and workplace and to prevent the use of controlled substances and the abuse of alcohol.

Health Risks Associated with the Use of Alcohol

Short Term Risks:

1. Increased risks of accidents and injuries
2. Alcohol-related traffic accidents (the leading cause of death for teens)

Federal Sanctions

Federal penalties and sanctions for illegal possession of a controlled substance include the following: **First conviction**: up to 1 year in prison, fine of $1,000 to $100,000, or both **Second conviction**: at least 15 days and up to 2 years imprisonment, $5,000 to $250,000 fine, or both **After two drug convictions**: at least 90 days and up to 3 years in prison, $5,000 to $250,000 fine, or both. Special federal sentencing provisions for possession of crack cocaine include a mandatory prison term of at least 5 years and up to 20 years, fine of up to $250,000, or both, for a first conviction if the amount of crack exceeds 5 grams, for a second conviction if amount exceeds 3 grams, and for a third or subsequent conviction if the amount exceeds 1 gram.

Additional federal sanctions may also apply including forfeiture of vehicles used to transport controlled substances, denial of federal benefits including student loans, grants, and contracts and denial or revocation of certain federal licenses and benefits.

Exhibit A:

U.S. Department of Justice
Drug Enforcement Administration

Federal Trafficking Penalties

<table>
<tr><th>Drug Schedule</th><th>Quantity</th><th>1st Offense</th><th>2nd Offense</th><th>Quantity</th><th>1st Offense</th><th>2nd Offense</th></tr>
<tr><td>Methamphetamine Schedule II</td><td>5-49 gms pure or 50-499 gms mixture</td><td rowspan="5">Not less than 5 yrs and not more than 40 yrs. If death or serious injury, not less than 20 or more than life. Fine of not more than $2 million if an individual, $5 million if other than an individual.</td><td rowspan="5">Not less than 10 yrs and not more than life. If death or serious injury, not less than life or more than life. Fine of not more than $4 million if an individual, $10 million if other than an individual.</td><td>50 gms or more pure or 500 gms or more mixture</td><td rowspan="5">Not less than 10 yrs and not more than life. If death or serious injury, not less than 20 or more than life. Fine of not more than $4 million if an individual, $10 million if other than an individual.</td><td rowspan="5">Not less than 20 yrs and not more than life. If death or serious injury, not less than life. Fine of not more than $8 million if an individual, $20 million if other than an individual.</td></tr>
<tr><td>Heroin Schedule I</td><td>100-999 gms mixture</td><td>1 kg or more mixture</td></tr>
<tr><td>Cocaine Schedule II</td><td>500-4,999 gms mixture</td><td>5 kgs or more mixture</td></tr>
<tr><td>Cocain Base Schedule II</td><td>5-49 gms mixture</td><td>50 gms or more mixture</td></tr>
<tr><td>PCP Schedule II</td><td>10-99 gms pure or 100-999 gms mixture</td><td>100 gms or more pure or 1 kg or more mixture</td></tr>
<tr><td>LSD Schedule I</td><td>1-9 gms mixture</td><td></td><td></td><td>10 gms or more mixture</td><td colspan="2">3rd Offense or More</td></tr>
<tr><td>Fentanyl Schedule II</td><td>40-399 gms mixture</td><td></td><td></td><td>400 gms or more mixture</td><td colspan="2">Life Imprisonment</td></tr>
<tr><td>Fentanyl Analogue Schedule I</td><td>10-99 gms mixture</td><td></td><td></td><td>100 gms or more mixture</td><td></td><td></td></tr>
<tr><td>Others Schedules I & II
(Includes 1 gm or more flunitrazepam and gamma hydroxybutric acid)</td><td>Any</td><td>Not more than 20 yrs. If deat or serious injury, not less than 20 yrs, not more than life. Fine of $1 million if an individual, $5 million if other than an individual.</td><td>Not more than 30 yrs. If death or serious injury, life. Fine of $2 million if an individual, $10 million if other than an individual.</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td colspan="2">1st Offense</td><td colspan="3">2nd Offense</td></tr>
<tr><td>Others Schedules III
(Includes 30 mgs – 999 mgs flunitrazepam)</td><td>Any</td><td colspan="2">Not more than 5 yrs. Fine not more than $250,000 if an individual, $1 million if other than an individual.</td><td colspan="3">Not more than 10 yrs. Fine not more than $500,000 if an individual, $2 million if other than an individual.</td></tr>
</table>

Others* Schedules IV *(Includes less than 30 mgs flunitrazepam)*	Any	Not more than 3yrs. Fine not more than $250,000 if an individual, $1 millioni if other than an individual	Not more than 6 yrs. Fine not more than $500,000 if an individual, $2 million if other than an individual.
All Schedules V	Any	Not more than 1yr. Fine not more than $100,000 if an individual, $250,000 if other than an individual.	Not more than 2 yrs. Fine not more than $200,000 if an individual, $500,000 if other than an individual.

Convictions for Drug-Related Offenses

Any student convicted of any drug-related criminal statute must notify the Dean of Student Affairs, in writing, no later than five (5) days after such conviction regardless of where the offense occurred. This is because under federal and state laws, any student convicted of a drug-related felony offense must be denied all federal and state assistance, including Pell Grants, Frank O'Bannon grant and 21st Century Scholars program However, a criminal conviction shall not be necessary to find that a student has violated these standards of conduct, and the Brown Mackie College – Quad Cities need not, and ordinarily will not, defer its own actions and sanctions pending the outcome of any criminal proceeding.

Danger Signals Indicating a Drug or Alcohol Problem

Following is a listing of classic danger signals that may indicate the presence of a drug or alcohol problem:

- abrupt changes in mood or attitude
- decreased efficiency at work or at school
- frequent absences, tardiness, and/or early departures
- relationship problems with family, friends, and co-workers
- unusual outbursts of anger and hostility
- social withdrawal

Advising

If you observe any of these changes in yourself or another student, you are encouraged to talk with an Advisor in the Student Affairs Office.

Abuse of alcohol or drugs can lead to dependency and addiction, with serious consequences for personal health and overall quality of life. There are drug and alcohol counseling, treatment, and rehabilitation facilities available in our area where students and employees may seek advice and treatment. The College Counselor can refer you to one that meets your needs.

Quad Cities Area Resources

There are also organizations that may be contacted for help..

Addiction and Psychological Treatment Centers Riverside Alcohol & Drug Treatment 2701 17th Street Rock Island, IL 61201 309.779.3000	**Center for Alcohol & Drug Services** 801 Hospital Road Silvis, IL 61282 309.792.4889
RICCA 1607 John Deere Road East Moline, IL 61244 309.792.0293	**Drug Addiction Information and Treatment** Alcohol and Drug Educational Services 1705 2nd Avenue Rock Island, IL 61201 309.786.2992
Alcohol Information and Treatment Alcohol and Drug Educational Services 1705 2nd Avenue Rock Island, IL 61201 309.786.2992	**Center for Alcohol & Drug Services** 801 Hospital Road Silvis, IL 61282 309.792.4889

Alcoholics Anonymous Central Office 2320 16th Street Moline, IL 61265 309.764.1016	**C.A.D.S. (Center for Alcohol & Drug Services)** 1523 S. Fairmount Davenport, Iowa 52802 563.322.2667 http://www.cads-ia.com/
C.A.D.S. (Center for Alcohol & Drug Services) 12160 Utah Avenue Davenport, Iowa 52804 563.326.1150 http://www.cads-ia.com/	**C.A.D.S. (Center for Alcohol & Drug Services)** 1519 East Locust Street Davenport, Iowa 52803 563.326.4116 http://www.cads-ia.com/
Alcoholics Anonymous 2204 Grant Street Bettendorf, IA 52722 563.359.4152	**Genesis Multiple Addictions Recovery Center** West Central Park at Marquette Davenport, IA 52804 563.421.2900
New Life Outpatient Center Paul Revere Square 2322 East Kimberly Road Suite 200 North Davenport, IA 52807 563.355.0055 http://www.newlifeopc.com/	

The National Institute on Drug Abuse Hotline (1.800.662.4357) is available from 8:00 a.m. to 2:00 a.m., Monday through Friday and from 11:00 a.m. to 2:00 a.m. on weekends.

A list of emergency and sliding-fee scale resources is available from the advisor.

Complaint Procedure

Students who feel they have been harassed should follow the Student Grievance Procedure for Internal Complaints of Harassment and Discrimination (the "Student Grievance Procedure"). Students who have been subjected to sexual violence should also review the **Policy Concerning Sexual Violence** and **Programs and Procedures Regarding Sexual Assault** (available in the Student Affairs Office). Regardless if a complaint is filed under the Student Grievance Procedure, promptly after learning of such alleged conduct, Brown Mackie College — Quad Cities will conduct an investigation for the purpose of determining whether prohibited harassment has occurred. Efforts will be made to ensure confidentiality to the extent consistent with the goal of conducting an appropriate investigation. Students who initiate or participate in such investigations in good faith will be protected against subsequent harassment and school-related retaliation. If an investigation confirms the allegations, Brown Mackie College — Quad Cities will take prompt corrective action, which may include discipline, up to and including immediate dismissal.

General Complaint and Resolution Process

In order to provide an effective and equitable means of resolving student complaints, a process is available to any student who believes that the College decision, action, or policy has unfairly and adversely affected his or her status, rights, or privileges as a student. In most cases, a complaint can be resolved at the College level. Faculty and staff are available to guide students in completing their programs, and students must be aware of those resources to whom issues and concerns should be addressed. These are as follows:

Faculty	Resolution of academic concerns pertaining to individual courses (as grades, assignments, attendance, etc.
Department Chair/ Program Administrator	Unresolved academic issues pertaining to the student's program (as program objectives, curriculum, graduation requirements, licensure examinations, faculty, etc.)
Academic Affairs Office	Unresolved issues pertaining to faculty, curriculum, grades, attendance, change of program, transfer of credit, graduation requirements, withdrawal, and personal issues which may impact the student's education
Office of the Registrar	Resolution of issues involving course scheduling and obtaining transcripts
Student Financial Services Office	Resolution of issues involving loans, grants, deferments, verification, federal funding, and consequences of withdrawal
Student Accounting Office	Resolution of issues involving the status of the student's account and issues of billing (as monthly payments, book returns, financial arrangements, fees, etc.)
Office of Career Services	Full-time and part-time employment assistance, employment correspondence, and related employment services
College President	Resolution of an issue in any area above which remain unresolved by the employee to whom the issue has been properly addressed
Group Vice President	Resolution of issue unresolved through the campus's complaint and resolution process.

However, a student who believes that his or her complaint remains unsatisfactorily resolved by the College may refer the complaint to the appropriate office as follows:

Iowa College Student Aid Commission (ICSAC)
200 10th Street, 4th Floor,
Des Moines, IA 50309-3609
1-877-272-4456

Accrediting Council for Independent Colleges and Schools
750 First Street, NE, Suite 980
Washington, DC 20002-4241
202-336-6780

POLICY CONCERNING SEXUAL VIOLENCE POLICY

Sexual violence refers to physical sexual acts perpetrated against a person's will or where a person is incapable of giving consent due to the victim's use of drugs or alcohol. Sexual violence includes rape, sexual assault, sexual battery and sexual coercion. Sexual violence is considered a form of sexual harassment, and is therefore a form of sex discrimination. Acts involving sexual violence, sexual harassment or sex discrimination are not tolerated by Brown Mackie College – Quad Cities. Complaints of sexual violence should be made to Dean of Academic Affairs, 2119 East Kimberly Road, Bettendorf, IA 52722, (563) 344-1500.

Upon learning of possible sexual violence involving a student, Brown Mackie College – Quad Cities will take immediate action to investigate or otherwise determine what happened. Such action may include, but is not limited to, speaking with the alleged victim, the alleged perpetrator and other potential witness as appropriate and reviewing other evidence such as calendars, videos, phone records, etc.

If Brown Mackie College – Quad Cities determines that sexual violence may have occurred, Brown Mackie College – Quad Cities will take steps proactively designed to promptly and effectively end the sexual violence or the threat of sexual violence, prevent its recurrence, and address its effects regardless of whether the alleged actions are subject to criminal investigation.

Brown Mackie College – Quad Cities will use good faith efforts to protect the alleged victim from any hostile environment at the school and any subsequent harassment or retaliation. Such efforts may occur prior to the outcome of the investigation and may include:

1. Reporting any subsequent harassment or retaliation to the Campus President
2. Providing an escort to ensure the alleged victim can move safely between classes and activities
3. Ensuring that the alleged victim and the alleged perpetrator do not attend the same classes
4. Providing referral to counseling services or providers
5. Providing academic support services, such as tutoring
6. Arranging for the victim to re-take a course or withdraw from a class without penalty.

Disciplinary Actions and Sanctions

On-campus disciplinary procedures against students will be in accordance with Brown Mackie College – Quad Cities' published Student Code of Conduct and the Student Grievance Procedure for Internal Complaints of Discrimination and Harassment. Both the accuser and the accused are entitled to have others present during a disciplinary proceeding. Both will be informed of the outcome of any campus disciplinary proceeding. For this purpose, the outcome of a disciplinary proceeding means only Brown Mackie College – Quad Cities' final determination with respect to the alleged sexual offense and any sanction that is imposed against the accused. Sanctions, which may be imposed following a final determination of a disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses, may include warning, probation, suspension or dismissal.

Students who have been subjected to sexual violence are encouraged to review the **No Harassment Policy**, the **Non-Discrimination Policy**, the **Student Grievance Procedure for Internal Complaints of Discrimination and Harassment** and the **Programs and Procedures Regarding Sexual Assault** (available in the Student Affairs Office).

Attachment 7 - Financial Statements

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission File No: 001-34466

EDUCATION MANAGEMENT CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania	**25-1119571**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
210 Sixth Avenue, Pittsburgh, PA, 33rd Floor	**15222**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (412) 562-0900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of December 31, 2011, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $559.1 million. As of September 5, 2012, there were 124,477,827 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for its 2012 annual meeting of shareholders are incorporated by reference into Part III.

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PART I
SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Form 10-K") contains information that may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which are based on information currently available to management and concern our strategy, plans or intentions, typically contain words such as "anticipates", "believes", "expects", "intends", "may", "will", "should", "seeks", "approximately", "plans", "estimates" or similar words. However, the absence of these or similar words does not mean that a particular statement is not forward-looking. All statements that we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, from time to time, we make forward-looking public statements concerning our expected future operations and performance and other developments. These and other forward-looking statements involve estimates, assumptions, known and unknown risks and uncertainties and other factors that may change at any time, and, therefore, our actual results may differ materially and unpredictably from any future results, performance or achievements expressed or implied by such forward-looking statements. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions, and we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" and elsewhere in this Form 10-K, including, without limitation, in conjunction with the forward-looking statements included in this Form 10-K. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the factors discussed in this Form 10-K. Some of the factors that we believe could affect our results and that could cause actual results to differ materially from our expectations include, but are not limited to:

- compliance with extensive federal, state and accrediting agency regulations and requirements;
- our ability to maintain eligibility to participate in Title IV programs;
- other changes in our students' ability to access federal and state financial aid and veteran education benefits, as well as private loans from third-party lenders;
- government and regulatory changes including revised interpretations of regulatory requirements that affect the post-secondary education industry and new regulations adopted by the U.S. Department of Education;
- the timing and magnitude of student enrollment and changes in student mix, including the relative proportions of on-ground and online students enrolled in our programs;
- failure to effectively market and advertise to new students;
- changes in average registered credits taken by students;
- the implementation of new operating procedures for our fully online programs;
- the implementation of program initiatives in response to, or as a result of further developments in, the litigation concerning the U.S. Department of Education's new gainful employment regulation;
- adjustments to our programmatic offerings to comply with the 90/10 rule;
- any difficulties we may face in opening additional schools and otherwise expanding our academic programs;
- our ability to improve existing academic programs or to develop new programs on a timely basis and in a cost-effective manner;
- the results of federal, state and accrediting agency program reviews and audits;
- our high degree of leverage and our ability to generate sufficient cash to service all of our debt obligations and other liquidity needs;
- compliance with restrictions and other terms in our debt agreements, some of which are beyond our control;
- our ability to raise additional capital in the future in light of our substantial leverage;
- our ability to keep pace with changing market needs and technology;
- investigations by and regulations promulgated by the Consumer Financial Protection Bureau;
- increased or unanticipated legal and regulatory costs;
- capacity constraints or system disruptions to our online computer networks;
- the vulnerability of our online computer networks to security risks;
- failure to attract, retain and integrate qualified management personnel;

- competitors with greater resources;
- declines in the overall growth of enrollment in post-secondary institutions;
- other market and credit risks associated with the post-secondary education industry, adverse media coverage of the industry and overall condition of the industry;
- changes in the overall U.S. or global economy;
- disruptions or other changes in access to the credit and equity markets in the United States and worldwide;
- effects of a general economic slowdown or recession in the United States or abroad;
- the effects of war, terrorism, natural disasters and other catastrophic events;
- other risks inherent in non-domestic operations; and
- any other factors set forth under "Risk Factors".

We caution you that the foregoing list of important factors may not contain all of the material factors that could affect our results. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Form 10-K may not in fact occur. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

ITEM 1. BUSINESS

On June 1, 2006, EDMC was acquired by a consortium of private investors through a merger of an acquisition company into EDMC, with EDMC surviving the merger. We sometimes refer to that transaction in this Form 10-K as the "Transaction". Our principal shareholders are private equity funds affiliated with Providence Equity Partners, Goldman Sachs Capital Partners and Leeds Equity Partners, which we refer to in this Form 10-K collectively as the "Sponsors". As used in this Form 10-K, unless otherwise stated or the context otherwise requires, references to "we", "us", "our", the "Company", "EDMC" and similar references refer collectively to Education Management Corporation and its subsidiaries. References to our fiscal year refer to the 12-month period ended June 30 of the year referenced.

Business Overview

We are among the largest providers of post-secondary education in North America, with over 151,200 enrolled students as of October 2011. We offer academic programs to our students through campus-based and online instruction, or through a combination of both. We are committed to offering quality academic programs and strive to improve the learning experience for our students. We target a large and diverse market, as our educational institutions offer students the opportunity to earn undergraduate and graduate degrees, including doctoral degrees, and certain specialized non-degree diplomas in a broad range of disciplines. These disciplines include media arts, health sciences, design, psychology and behavioral sciences, culinary, business, fashion, legal, education and information technology. Each of our schools located in the United States is licensed or permitted to offer post-secondary programs in the state in which it is located, accredited by a national or regional accreditation agency and certified by the U.S. Department of Education, enabling students to access federal student loans, grants and other forms of public and private financial aid. Our academic programs are designed with an emphasis on applied content and are taught primarily by faculty members who, in addition to having appropriate academic credentials, offer practical and relevant professional experience in their respective fields. We had net revenues of $2.76 billion in fiscal 2012.

Our schools comprise a national education platform that is designed to address the needs of a broad market, taking into consideration various factors that influence demand, such as programmatic and degree interest, employment opportunities, requirements for credentials in certain professions, demographics, tuition pricing points and economic conditions. We believe that our schools collectively enable us to provide access to a high quality education for potential students, at a variety of degree levels and across a wide range of disciplines.

During our more than 40-year operating history, we have expanded the reach of our education systems and currently operate 109 primary locations across 32 U.S. states and in Canada. In addition, we have offered online programs since 2000, enabling our students to pursue degrees fully online or through a flexible combination of both online and campus-based education. We strive to maintain a culture of compliance within our organization with the numerous regulations that govern our business and operations.

Each of our 109 schools provides student-centered education. Our schools are organized and managed to capitalize on our four recognized brands and align them with specific targeted markets based on field of study, employment opportunity, type of degree offering and student demographics. Our operations are organized into four corresponding reportable segments:

- *The Art Institutes.* The Art Institutes focus on applied arts in creative professions such as graphic design, culinary arts, media arts and animation, interior design, web site development, digital filmmaking and video production, fashion design and marketing and game art and design. The Art Institutes offer Associate's, Bachelor's and Master's degree programs, as well as selective non-degree diploma programs. Students pursue their degrees through local campuses, fully online programs through The Art Institute of Pittsburgh, Online Division and blended formats, which combine campus-based and online education. As of June 30, 2012, there were 51 Art Institutes campuses in 25 U.S. states and in Canada. As of October 2011, students enrolled at The Art Institutes represented approximately 53% of our total enrollments.
- *Argosy University.* Argosy University offers academic programs in psychology and behavioral sciences, business, education and health sciences disciplines. Argosy University offers Doctoral, Master's and undergraduate degrees through local campuses, fully online programs and blended formats. Argosy University's academic programs focus on graduate students seeking advanced credentials as a prerequisite to initial licensing, career advancement and/or structured pay increases. As of June 30, 2012, there were 20 Argosy University campuses in 13 U.S. states. As of October 2011, students enrolled at Argosy University represented approximately 19% of our total enrollments. This segment includes Western State College of Law, which offers Juris Doctor degrees, and the Ventura Group, which provides courses and materials for post-graduate licensure examinations in the human services fields and continuing education courses for K-12 educators.
- *Brown Mackie Colleges.* Brown Mackie Colleges offer flexible Associate's and non-degree diploma programs that

enable students to develop skills for entry-level positions in high demand vocational specialties and Bachelor's degree programs that assist students to advance within the workplace. Brown Mackie Colleges offer programs in growing fields such as medical assisting, criminal justice, nursing, business, legal support and information technology. As of June 30, 2012, there were 28 Brown Mackie College campuses in 15 U.S. states. As of October 2011, students enrolled at Brown Mackie Colleges represented approximately 13% of our total enrollments.

- *South University.* South University offers academic programs in health sciences and business disciplines, including business administration, criminal justice, nursing, information technology, psychology, pharmacy and physician assisting. South University offers Doctoral, Master's, Bachelor's and Associate's degrees through local campuses, fully online programs and blended formats. As of June 30, 2012 there were ten South University campuses in eight U.S. states. As of October 2011, students enrolled at South University represented approximately 15% of our total enrollments.

The net revenues for fiscal years 2012, 2011 and 2010 for each of our reportable segments were as follows (in thousands):

	For the Fiscal Year Ended June 30,		
	2012	2011	2010
Net revenues:			
The Art Institutes	$ 1,738,542	$ 1,791,176	$ 1,597,072
Argosy University	397,458	431,097	344,382
Brown Mackie Colleges	314,801	348,140	301,850
South University	310,166	317,216	265,217
Total EDMC	$ 2,760,967	$ 2,887,629	$ 2,508,521

See Part II – Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Part II – Item 8 – "Financial Statements and Supplementary Data," Note 1, "Description of Business and Change in Ownership," and Note 18, "Segments."

The following table shows the location of each campus within each of our four reporting segments at June 30, 2012, the name under which it operates, the year of its establishment and the date we opened or acquired it.

Ai The Art Institutes℠	Location	Calendar Year Established	Fiscal Year Acquired or Opened
The Art Institute of Atlanta	Atlanta, GA	1949	1971
The Art Institute of Atlanta — Decatur	Decatur, GA	2007	2008
The Art Institute of Austin	Austin, TX	2008	2008
The Art Institute of California — Hollywood	Los Angeles, CA	1991	2003
The Art Institute of California — Inland Empire	San Bernardino, CA	2006	2006
The Art Institute of California — Los Angeles	Los Angeles, CA	1997	1998
The Art Institute of California — Orange County	Orange County, CA	2000	2001
The Art Institute of California — Sacramento	Sacramento, CA	2007	2007
The Art Institute of California — San Diego	San Diego, CA	1981	2001
The Art Institute of California — San Francisco	San Francisco, CA	1939	1998
The Art Institute of California — Sunnyvale	Sunnyvale, CA	2008	2008

School	Location	Calendar Year Established	Fiscal Year Acquired or Opened
The Art Institute of Charleston	Charleston, SC	2007	2007
The Art Institute of Charlotte	Charlotte, NC	1973	2000
The Art Institute of Colorado	Denver, CO	1952	1976
The Art Institute of Dallas	Dallas, TX	1964	1985
The Art Institute of Fort Lauderdale	Fort Lauderdale, FL	1968	1974
The Art Institute of Fort Worth	Fort Worth, TX	2009	2010
The Art Institute of Houston	Houston, TX	1974	1979
The Art Institute of Houston — North	Houston, TX	2008	2009
The Art Institute of Indianapolis	Indianapolis, IN	2006	2006
The Art Institute of Jacksonville	Jacksonville, FL	2007	2007
The Art Institute of Las Vegas	Las Vegas, NV	1983	2001
The Art Institute of Michigan	Detroit, MI	2007	2008
The Art Institute of Michigan — Troy (1)	Troy, MI	2011	2011
The Art Institute of New York City	New York, NY	1980	1997
The Art Institute of Ohio — Cincinnati	Cincinnati, OH	2004	2005
The Art Institute of Philadelphia	Philadelphia, PA	1971	1980
The Art Institute of Phoenix	Phoenix, AZ	1995	1996
The Art Institute of Pittsburgh	Pittsburgh, PA	1921	1970
The Art Institute of Portland	Portland, OR	1963	1998
The Art Institute of Raleigh-Durham	Durham, NC	2008	2008
The Art Institute of Salt Lake City	Salt Lake City, UT	2007	2007
The Art Institute of San Antonio	San Antonio, TX	2010	2010
The Art Institute of Seattle	Seattle, WA	1946	1982
The Art Institute of St. Louis (2)	St. Charles, MO	2012	2012
The Art Institute of Tampa	Tampa, FL	2004	2004
The Art Institute of Tennessee — Nashville	Nashville, TN	2006	2007
The Art Institute of Tucson	Tucson, AZ	2002	2007
The Art Institute of Vancouver	Vancouver, BC	1979	2003
The Art Institute of Virginia Beach	Virginia Beach, VA	2009	2010
The Art Institute of Washington	Arlington, VA	2000	2001
The Art Institute of Washington — Dulles	Sterling, VA	2009	2009
The Art Institute of Wisconsin	Milwaukee, WI	2010	2010
The Art Institute of York — Pennsylvania	York, PA	1952	2004
The Art Institutes International — Kansas City	Kansas City, KS	2008	2008
The Art Institutes International Minnesota	Minneapolis, MN	1964	1997
The Illinois Institute of Art — Chicago	Chicago, IL	1916	1996
The Illinois Institute of Art — Schaumburg	Schaumburg, IL	1983	1996
The Illinois Institute of Art — Tinley Park	Tinley Park, IL	2011	2011
Miami International University of Art & Design	Miami, FL	1965	2002
The New England Institute of Art	Boston, MA	1988	2000

ARGOSY UNIVERSITY

	Location	Calendar Year Established	Fiscal Year Acquired or Opened
Argosy University, Atlanta	Atlanta, GA	1990	2002
Argosy University, Chicago	Chicago, IL	1976	2002
Argosy University, Dallas	Dallas, TX	2002	2002
Argosy University, Denver	Denver, CO	2006	2006
Argosy University, Hawaii	Honolulu, HI	1979	2002
Argosy University, Inland Empire	San Bernardino, CA	2006	2006
Argosy University, Los Angeles	Santa Monica, CA	2006	2006
Argosy University, Nashville	Nashville, TN	2001	2002
Argosy University, Orange County	Orange, CA	1999	2002
Argosy University, Phoenix	Phoenix, AZ	1997	2002
Argosy University, Salt Lake City	Salt Lake City, UT	2008	2008
Argosy University, San Diego	San Diego, CA	2006	2006
Argosy University, San Francisco	Point Richmond, CA	1998	2002
Argosy University, Sarasota	Sarasota, FL	1969	2002
Argosy University, Schaumburg	Schaumburg, IL	1979	2002
Argosy University, Seattle	Seattle, WA	1997	2002
Argosy University, Tampa	Tampa, FL	1997	2002
Argosy University, Twin Cities	Eagan, MN	1961	2002
Argosy University, Washington D.C.	Arlington, VA	1994	2002
Western State College of Law	Fullerton, CA	1966	2002

BROWN MACKIE COLLEGE™

Brown Mackie College — Akron	Akron, OH	1980	2004
Brown Mackie College — Albuquerque	Albuquerque, NM	2010	2010
Brown Mackie College — Atlanta	Norcross, GA	1969	2004
Brown Mackie College — Birmingham	Birmingham, AL	2010	2011
Brown Mackie College — Boise	Boise, ID	2008	2008
Brown Mackie College — Cincinnati	Cincinnati, OH	1927	2004
Brown Mackie College — Dallas (2)	Dallas, TX	2012	2012
Brown Mackie College — Findlay	Findlay, OH	1986	2004
Brown Mackie College — Fort Wayne	Fort Wayne, IN	1991	2004
Brown Mackie College — Greenville	Greenville, SC	2009	2009
Brown Mackie College — Hopkinsville	Hopkinsville, KY	1995	2004
Brown Mackie College — Indianapolis	Indianapolis, IN	2007	2008
Brown Mackie College — Kansas City	Lenexa, KS	1984	2004
Brown Mackie College — Louisville	Louisville, KY	1935	2004
Brown Mackie College — Merrillville	Merrillville, IN	1984	2004
Brown Mackie College — Miami	Miami, FL	2004	2005
Brown Mackie College — Michigan City	Michigan City, IN	1890	2004
Brown Mackie College — North Canton	North Canton, OH	1984	2004
Brown Mackie College — Northern Kentucky	Ft. Mitchell, KY	1927	2004
Brown Mackie College — Oklahoma City (3)	Oklahoma City, OK	2011	2011

School	Location	Calendar Year Established	Fiscal Year Acquired or Opened
Brown Mackie College — Phoenix	Phoenix, AZ	2008	2009
Brown Mackie College — Quad Cities	Quad Cities, IA	1985	2004
Brown Mackie College — Salina	Salina, KS	1892	2004
Brown Mackie College — San Antonio	San Antonio, TX	2010	2010
Brown Mackie College — South Bend	South Bend, IN	1882	2004
Brown Mackie College — St. Louis	St. Louis, MO	2009	2010
Brown Mackie College — Tucson	Tucson, AZ	1972	2007
Brown Mackie College — Tulsa	Tulsa, OK	2008	2009
SouthUniversity			
South University/ Austin	Austin, TX	2011	2012
South University/ Cleveland	Cleveland, OH	2012	2012
South University/ Columbia	Columbia, SC	1935	2004
South University/ Montgomery	Montgomery, AL	1997	2004
South University/ Novi	Novi, MI	2009	2010
South University/ Richmond	Richmond, VA	2009	2009
South University/ Savannah	Savannah, GA	1899	2004
South University/ Tampa	Tampa, FL	2006	2006
South University/ Virginia Beach	Virginia Beach, VA	2010	2010
South University/ West Palm Beach	West Palm Beach, FL	1974	2004

(1) First class of students started in October 2011.
(2) First class of students started in July 2012.
(3) First class of students started in August 2011.

As more fully described under “Accreditation,” at June 30, 2012 we had 19 accredited “institutions” that are eligible to participate in Title IV federal financial aid programs administered by the U.S. Department of Education. We use the term “institution” to refer to collectively to an accredited school and its associated branch campuses and additional locations. Certain schools included within The Art Institutes segment are branches of the South University or Argosy University institutions for purposes of accreditation and Title IV participation, and certain schools included within the Brown Mackie Colleges segment are branches of The Art Institute of Phoenix institution for accreditation and Title IV purposes. Western State College of Law is a campus of Argosy University and included within the Argosy University segment. See Part II – Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” and Part II – Item 8 – “Financial Statements and Supplementary Data,” Note 1, “Description of Business and Change in Ownership,” and Note 18, “Segments.”

Though we experienced significant growth over the ten years preceding fiscal 2012 (including compounded annual enrollment growth at a rate of 16.7% during the period from October 2001 through October 2011), we and other proprietary post-secondary education providers have experienced a number of recent challenges that resulted in declines in enrollment at many of our schools, which negatively impacted our financial results. As detailed by segment in the following table, the average enrollment at our schools during fiscal 2012 decreased 5.7% as compared to fiscal 2011, from total average enrollment of approximately 150,800 students in fiscal 2011 to approximately 142,100 students in fiscal 2012.

	Average Student Enrollment		
	Fiscal 2012	Fiscal 2011	*% Change*
The Art Institutes	75,000	79,000	*(5.2)%*
Argosy University	27,500	29,700	*(6.9)%*
Brown Mackie Colleges	19,100	21,100	*(9.3)%*
South University	20,500	21,000	*(2.3)%*
Total EDMC	142,100	150,800	*(5.7)%*

The recent challenges that we face include, among others: the impact of changes that we implemented to our programmatic offerings in response to the U.S. Department of Education's gainful employment rules; substantial negative media coverage of our business and industry; student concerns regarding the assumption of additional debt in light of the current economic climate have given rise to reluctance to pursue further education; a significant decrease in the number of students attending our fully online programs; and decreased investment in new school locations. In spite of these challenges, we continue to make capital investments in technology and human resources and to upgrade our infrastructure, student interfaces and student support systems in an effort to enhance the student experience while providing greater operational transparency. See "— Student Financial Assistance — Program Integrity Regulations" and Item 1A – "Risk Factors" below and Part II – Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Industry Overview

The U.S. Department of Education estimates that the U.S. public and private post-secondary education market for degree-granting institutions was a $490 billion industry in 2010 (the most recent year for which such data is available), representing approximately 21.0 million students enrolled at over 4,600 institutions. According to the National Center of Education Statistics, traditional students, who typically are recent high school graduates under 25 years of age and are pursuing their first higher education degree, represent approximately 61% of the national student population. The remaining 39% of the student population is comprised of non-traditional students, who are largely working adults pursuing further education in their current field or are preparing for a new career.

Although recently the industry as a whole has been challenged by state and federal regulatory pressures, negative media coverage, widespread enrollment declines and the overall negative impact of the current political and economic climate, there remain a number of factors that we believe should contribute to long-term demand for post-secondary education. The shift toward a services-based economy increases the demand for higher levels of education. Georgetown University's Center on Education and the Workforce published a research study titled "Help Wanted - Projections of Jobs and Education Requirements through 2018", based upon the U.S. Department of Labor - Bureau of Labor Statistics occupational employment projections. According to the study, jobs requiring an Associate's or higher level degree are expected to grow by 28% to approximately 79 million jobs in 2018, while jobs requiring some or no college are expected to decrease by 3%. Of the jobs in 2018 requiring higher education, approximately 45% are in occupation groups in which we provide education - business, healthcare, education, food preparation, legal, and arts, design and media. Additionally, economic incentives are favorable for post-secondary graduates. According to the U.S. Department of Labor — Bureau of Labor Statistics, in 2011 the median weekly earnings for individuals aged 25 years and older with a Bachelor's degree was approximately 65% higher than for high school graduates of the same age with no college experience, and the average unemployment rate in 2011 for persons aged 25 years and older with a Bachelor's degree was nearly half that of those without college experience. See "Risk Factors – Risks Related to Our Highly Regulated Industry" below.

The post-secondary education industry is highly fragmented, with no one provider controlling a significant share of the market. Students choose among providers based on programs and degrees offered, program flexibility and convenience, quality of instruction, graduate employment rates, reputation and recruiting effectiveness. This multi-faceted market fragmentation results in significant differentiation among various education providers, limited direct competition and minimal overlap between proprietary providers. The main competitors of proprietary, post-secondary education providers are local public and private two-year junior and community colleges, traditional public and private undergraduate and graduate colleges and, to a lesser degree, other proprietary providers.

Although competition exits, proprietary educators serve a segment of the market for post-secondary education that we believe has not been fully addressed by traditional public and private universities. Non-profit public and private institutions can face limited financial capability to expand their offerings in response to growth or changes in the demand for education, due to a combination of state funding challenges, significant expenditures required for research and the professor tenure system. Certain private institutions also may control enrollments to preserve the perceived prestige and exclusivity of their degree offerings. In contrast, proprietary providers of post-secondary education offer potential students the greater flexibility and convenience of their schools' programmatic offerings and learning structure, an emphasis on applied content and an ability to consistently introduce new campuses and academic programs. At the same time, the share of the post-secondary education market that has been captured by proprietary providers remains relatively small. As a result, we believe that in spite of recent regulatory changes and other challenges facing the industry, proprietary, post-secondary education providers continue to have significant opportunities to address the demand for post-secondary education.

Our Competitive Strengths

We believe that the following strengths differentiate our business:

Commitment to offering quality academic programs and to student and graduate success. We are committed to offering quality academic programs, and we strive to improve the learning experience for our students. We are dedicated to recruiting and retaining quality faculty and instructors with relevant industry experience and appropriate academic credentials. Our program advisory boards help us to reassess and update our educational offerings on a regular basis in order to ensure the relevance of our curriculum and to design new academic programs with the goal of enabling students to either enter or advance in their chosen fields. We seek to identify emerging industry trends in order to understand the evolving educational needs of our students and graduates. We are able to rapidly develop new academic programs and to tailor our existing proprietary content for courses across our degree programs. In addition, we frequently introduce existing academic programs to additional locations in our national platform of schools. During fiscal 2012, we developed ten new academic programs and introduced over 250 new academic programs to locations that had not previously offered such programs. Additionally, our staff of trained, dedicated career services specialists maintain strong relationships with employers in an effort to improve our graduate employment rates for our students in their chosen fields.

Recognized brands aligned with specific fields of study and degree offerings. We offer academic programs primarily through four education systems. We have devoted significant resources to establishing, and continue to invest in developing, the brand identity for each education system. Through The Art Institutes, Argosy University, Brown Mackie Colleges and South University education systems, we have the ability to align our academic program offerings to address the unique needs of specific student groups. Our marketing strategy is designed to develop brand awareness among practitioners and likely prospects in particular fields of study. We believe that this comprehensive brand building approach in each specific market also enables us to gain economies of scale with respect to student acquisition and retention costs, assisting in the recruitment and retention of quality faculty and staff members.

Diverse program offerings and broad degree capabilities. Our breadth of programmatic and degree offerings enables us to appeal to a diverse range of potential students. We currently offer academic programs in the following areas: media arts, health sciences, design, psychology and behavioral sciences, culinary, business, fashion, legal, education and information technology. Approximately 62% of our students as of October 2011 were enrolled in Doctorate, Master’s and Bachelor’s degree programs, which are typically multi-year programs that contribute to the overall stability of our student population. We monitor and adjust our education offerings based on, among other factors, changes in demand for new programs, degrees, schedules and delivery methods.

National platform of schools and integrated online learning platform. The combination of our national platform of schools and integrated online learning platform provides students at three of our education systems with flexible curriculum delivery options and academic programs taught on campus, online and in blended formats. This flexibility enables our academic programs to appeal to both traditional students and working adults who may seek convenience due to scheduling, geographical or other constraints.

Our campuses are located primarily in large metropolitan areas, and we focus our marketing efforts on demand for post-secondary education primarily within a 100-mile radius of the campus. Throughout our history, we have invested in our campuses in order to provide attractive and efficient learning environments. Our schools offer many amenities found in traditional colleges, including libraries, bookstores and laboratories, as well as the industry-specific equipment necessary for the various programs that we offer. Additionally, we continue to believe that attractive locations are available to open additional campuses. In evaluating potential new locations, we focus our efforts on markets that we believe offer the most attractive projected growth and return on capital, and we rigorously analyze employment statistics and demographic data in order to align or new schools with the specific educational needs of the targeted market. During fiscal 2012, we opened four new locations, and we currently anticipate opening three or four new locations during fiscal 2013.

Strong management team with a focus on long-term performance. Our school presidents and senior operating executives have substantial experience in the sector and are instrumental in directing investments to enhance the student experience and build infrastructure.

Student Recruitment and Marketing

Our diverse marketing activities are designed to position us as a leading provider of high quality educational programs, build strong brand recognition for our education systems and disciplines, differentiate us from other educational providers and stimulate interest in our programs from prospective students. We target a large and diverse market, including traditional college students, working adults seeking a high quality education in a traditional college setting and working adults focused on the practicality and convenience of online education and career advancement goals. In marketing our programs to prospective students, we emphasize the value of the educational experience and the academic rigor of the programs.

Our marketing personnel employ an integrated marketing approach that utilizes a variety of lead sources to identify prospective students. These lead generation sources include: Internet-based advertising, including the purchase of leads from aggregators; television and print media advertising; radio; local newspaper; telephone campaigns and direct mail campaigns. In addition, referrals from current students, alumni and employers are important sources of new students. We generate the majority of our leads through Internet-based activities. Prospective students frequently identify their education opportunities online through search engines, information and social network sites, various education portals on the Internet and school-specific sites which we host for each of our school locations. We advertise on the Internet using search engine keywords, banners, and custom advertising placements on targeted sites, such as education portals, career sites, and industry-specific websites. As of June 30, 2012, we employed approximately 310 representatives who present at high schools. These representatives also participate in college fairs and other inquiry-generating activities. In fiscal 2012, our marketing efforts generated inquiries from approximately 6.1 million prospective students as compared to approximately 5.6 million inquiries in fiscal 2011. Marketing and admissions expense represented approximately 23.2% and 22.4% of net revenues in fiscal 2012 and fiscal 2011, respectively.

Upon a prospective student's initial indication of interest in enrolling at one of our schools, an admissions representative initiates communication with the student. The admissions representative serves as the primary contact for the prospective student and helps the student assess the compatibility of his or her goals with our educational offerings. Our student services personnel work with applicants to gain acceptance, arrange financial aid and prepare the student for matriculation. Each admissions representative undergoes a standardized training program, which includes a full competency assessment at the program's conclusion. We also require our admissions representatives to pass a compliance test on an annual basis and certify that they understand and comply with our recruiting standards.

Student Admissions and Retention

The admissions and entrance standards of each school are designed to identify those students who are best equipped to meet the requirements of their chosen fields of study and successfully complete their programs. In evaluating prospective students, we seek individuals with, among other things, a strong desire to learn, passion for their area of interest and initiative. We believe that a success-oriented student body results in higher retention and placement rates, increased student and employer satisfaction and lower student default rates on government loans. To be qualified for admission to one of our schools, each applicant must have received a high school diploma or a General Education Development certificate. Applicants to our graduate and Doctorate programs are required to have received an undergraduate degree as a condition to admission. Most of our schools interview prospective students to assess their qualifications, their interest in the programs offered by the school and their commitment to their education. In addition, the curricula, student services, education costs, available financial resources and student housing options, if applicable, are reviewed during interviews.

We use a variety of tools designed to assess prospective students, stress the importance of time management and study skills, and ensure that students understand the responsibilities and obligations of funding their education. The Art Institutes, Argosy University and Brown Mackie Colleges use various products to test the reading, writing and math skills of undergraduate students. South University requires satisfactory SAT, ACT, College Board or other placement test scores for undergraduate students. If necessary, based on a student's test score, most of our schools offer developmental courses or transitional studies students must pass before they can advance in their programs of study. Each of our schools offer an orientation program that prepares students to be successful in post-secondary programs. Additionally, we offer academic counseling, tutoring and other services designed to help students succeed in school and continue advancing toward their respective degrees.

Due to our broad program offerings, our students come from a wide variety of backgrounds. As of October 2011, the estimated average age of a student at all of our schools was approximately 29 years old, and the estimated average age of students at each of our education systems was as follows:

The Art Institutes	25 years old
Argosy University	36 years old
Brown Mackie Colleges	30 years old
South University	33 years old

Our students may fail to finish their programs for a variety of personal, academic or financial reasons. To reduce student withdrawals, each of our schools devotes staff resources to advising students regarding academic and financial matters, part-time employment and, if applicable, housing. Remedial courses are mandated for our undergraduate and graduate students with lower academic skill levels, and tutoring is encouraged for students experiencing academic difficulties. Our net annual persistence rate, which measures the number of students who are enrolled during a fiscal year and either graduate or advance to the next fiscal year, for all of our students decreased to approximately 58.5% in fiscal 2012 as compared to approximately 60.2% in fiscal 2011 due primarily to the impact that a non-term academic structure had on our fully online students, the effect of a weak economy and the loss of the availability of PLUS program loans for certain of our students.

Education Programs

The relationship of each of our schools with potential employers for our students plays a significant role in the development and adaptation of the school curriculum. Most of our schools have one or more program advisory boards composed of members of the local and regional communities or employers in the fields which we serve. These boards provide valuable input to a school's education department, which allows a school to keep programs current and provide students with the training and skills that employers seek.

Our wide range of academic programs culminate in the awarding of diploma certificates and a variety of degrees. In October of 2011 and 2010, the enrollment by degree for all our schools was as follows:

	2011	2010
Bachelor's degrees	49%	48%
Associate's degrees	33%	33%
Master's degrees	7%	7%
Doctorate degrees	6%	6%
Diploma and Certificates	5%	6%

The type of degrees and programs we offer vary by each of our schools. The following summarizes the principal academic programs offered at each of our education systems, which correspond to our four business segments, as of October 2011. Not all programs are offered at each school location within an education system.

The Art Institutes. **The principal degree programs offered by The Art Institutes are as follows. For internal purposes, we classify the degree programs at The Art Institutes according to four schools or areas of study.**

The School of Design

Associate's Degree
Graphic Design
Interior Design

Bachelor's Degree
Advertising
Graphic Design
Illustration & Design
Industrial Design
Interior Design

The School of Fashion

Associate's Degree
Fashion Design
Fashion Marketing
Fashion Merchandising

Bachelor's Degree
Fashion Design
Fashion Marketing
Fashion Merchandising
Fashion & Retail Management

The School of Media Arts

Associate's Degree
Audio Production
Digital Film-making & Video Production
Photography
Video Production
Web Site Development

Bachelor's Degree
Audio Production
Digital Filmmaking & Video Production
Film
Game Art & Design
Media Arts & Animation
Photography
Visual Effects & Motion Graphics
Visual Game Programming
Web Site Development

The School of Culinary Arts

Associate's Degree
Baking and Pastry
Culinary Arts

Bachelor's Degree
Culinary Management
Hotel & Restaurant Management

Argosy University. The principal degree programs offered by Argosy University are as follows.

College of Undergraduate Studies

Bachelor of Arts
Liberal Arts
Psychology

Bachelor of Science
Business Administration
Criminal Justice

College of Psychology and Behavioral Sciences

Master of Arts
Clinical Psychology
Counseling Psychology
Community Counseling
Forensic Psychology
Industrial Organizational Psychology
Marriage and Family Therapy
Mental Health Counseling
Sports-Exercise Psychology

Doctor of Psychology
Clinical Psychology
Counselor Education and Supervision
Counseling Psychology
Pastoral Community Counseling

College of Psychology and Behavioral Sciences

Master of Arts
Clinical Psychology
Counseling Psychology
Community Counseling
Forensic Psychology
Industrial Organizational Psychology
Marriage and Family Therapy
Mental Health Counseling
Sports-Exercise Psychology

Doctor of Psychology
Clinical Psychology
Counselor Education and Supervision
Counseling Psychology
Pastoral Community Counseling

College of Health Sciences

Associate of Applied Science
Diagnostic Medical Sonography
Medical Lab Technology
Veterinary Technology

Master of Science
Health Services Management

College of Education

Master of Arts in Education
Educational Leadership
Instructional Leadership
Teaching and Learning

Doctor of Education
Educational Leadership
Instructional Leadership
Teaching and Learning

College of Business

Master of Science
Business Administration
Management

Doctor of Science
Business Administration
Organizational Leadership

Western State College of Law

Juris Doctor

BROWN MACKIE COLLEGE™

Brown Mackie Colleges. The principal degree programs offered by the Brown Mackie College schools are as follows.

Healthcare and Wellness

Associate's Degrees
Biomedical Equipment Technology
Healthcare Administration
Health & Therapeutic Massage
Medical Assistant
Occupational Therapy Assistant
Pharmacy Technology
Physical Therapist Assistant
Surgical Technology

Bachelor's Degrees
Healthcare Management

Nursing

Associate's Degrees
Licensed Practical Nursing

Early Childhood Education

Associate's Degree
Early Childhood Education

Legal Studies

Associate's Degrees
Criminal Justice
Paralegal

Bachelor's Degrees
Criminal Justice

Business & Technology

Associate's Degrees
Accounting
Audio/Video Production
Business
Information Technology
IT & Network Administration

Bachelor's Degrees
Business Administration

Veterinary Technology

Associate's Degrees
Veterinary Technology

SouthUniversity

South University. The principal degree programs offered by South University are as follows.

College of Arts and Sciences

Associate's Degrees
Criminal Justice
Paralegal Studies

Bachelor's Degrees
Criminal Justice
Legal Studies

College of Business and IT

Associate's Degrees
Accounting
Business Administration
Information Technology

Bachelor's Degrees
Business Administration
Healthcare Management
Information Technology

Master's Degrees
Business Administration

College of Nursing and Health

Associate's Degrees
Allied Health Science
Physical Therapist Assisting

Bachelor's Degrees
Health Science
Nursing
Psychology

Master's Degrees
Nursing
Professional Counseling

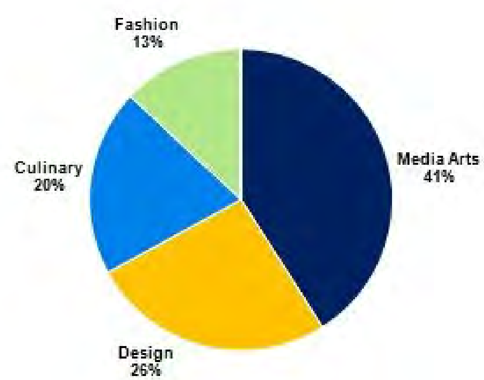
School of Pharmacy

Doctorate Degrees
Doctor of Pharmacy

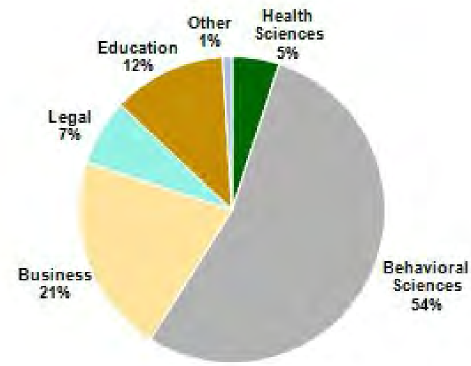
In addition to the programs listed above, we own Ventura Group, which provides courses and materials for post-graduate licensure examinations in the human services fields and continuing education courses for K-12 educators and which is included in the Argosy University reporting segment.

The following charts depict the proportion of students pursuing each program of study at each of our four education systems as of October 2011:

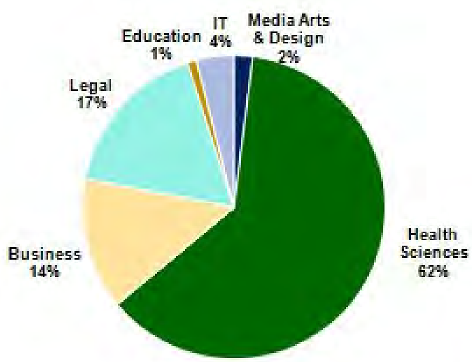
The Art Institutes



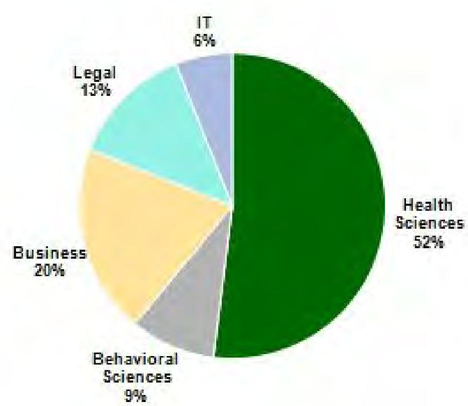
Argosy University



Brown Mackie College



South University



Graduate Employment

We measure our success as an educator of students based in part on the ability of our students to find jobs in their chosen fields of employment upon graduation from our schools. Most of our schools provide career development instruction to our students in order to assist the students in developing essential job-search skills. In addition to individualized training in interviewing, networking techniques and resume-writing, most of our schools require students to take a career development course. Additionally, we provide ongoing employment resources to our undergraduate students and recent graduates. Many career services departments also assist current students in finding part-time employment while attending school. Students in certain of our Doctorate programs spend up to a year in a paid internship in their chosen fields.

Each school's career services department plays a role in marketing the school's curriculum to the community in order to produce job leads for graduates. Career services advisors educate employers about the caliber of our graduates. These advisors participate in professional organizations, trade shows and community events to keep apprised of industry trends and maintain relationships with key employers. Career services staff visit employer sites to learn more about their operations and better understand their employment needs. As of June 30, 2012, the career services departments of our schools had approximately 310 full-time employees. We estimate that our career services departments maintain contact with approximately 70,000 employers nationwide.

Based on information collected by us from graduating students and employers, we believe that, of the approximately 22,300 undergraduate students who graduated from our schools (other than Argosy University, which only recently began to track undergraduate placement data due to its past institutional focus on graduate degree programs) during the calendar year ended December 31, 2011, approximately 77% of the available graduates obtained employment in their fields of study, or in related fields of study, within six months of graduation. The graduate employment rates presented in this Form 10-K exclude approximately 3,700 graduates who are: pursuing further education; deceased; incarcerated; in active military service; have medical conditions that prevent them from working; are continuing in a career unrelated to their program of study because they currently earn salaries which exceed those paid to entry-level employees in their field of study; choose to stay at home full-time; or are international students no longer residing in the country in which their school is located. The graduate placement data, which includes both part-time and full-time placements, was obtained by either oral or written communication with the graduate and/or the graduate's employer. The average salary paid to our available graduating undergraduate students from The Art Institutes, the Brown Mackie Colleges and South University for calendar year 2011 who obtained employment in their fields of study, or in related fields of study, was approximately $31,000.

Accreditation

In the United States, accreditation is a process through which an institution submits itself to qualitative review by an organization of peer institutions. Accrediting agencies primarily examine the academic quality of the instructional programs of an institution, and a grant of accreditation is generally viewed as reliable authority that an institution's programs meet generally accepted academic standards. Accrediting agencies also review the administrative and financial operations of the institutions they accredit to ensure that each institution has the resources to perform its educational mission.

Pursuant to provisions of the Higher Education Act of 1965, as amended ("HEA"), the U.S. Department of Education relies on accrediting agencies to determine whether the academic quality of an institution's educational programs is sufficient to qualify the institution to participate in federal student financial aid programs under Title IV of the HEA ("Title IV programs"). The HEA and its implementing regulations specify certain standards that all recognized accrediting agencies must adopt in connection with their review of post-secondary institutions. All of our U.S. schools are accredited by an institutional accrediting agency recognized by the U.S. Department of Education.

Our institutions are accredited by one of six regional accrediting agencies, which are defined by geographic regions across the U.S., or a national accrediting agency which is not limited by geographic scope. An institution must have a substantial presence in a region in order to qualify for accreditation by a regional accrediting agency. As of June 30, 2012, we had 19 institutions accredited by a regional or national accrediting agency recognized by the U.S. Department of Education. All Argosy University and South University schools are accredited by a single accreditor and have campuses located across the United States. Accrediting agencies do not limit the scope of accreditation to specific subject matters offered by an institution. For accreditation purposes, The Art Institute of California campuses are branches of Argosy University, The Art Institute of Dallas and The Art Institute of Fort Worth are branches of South University and a number of Brown Mackie Colleges are branches of The Art Institute of Phoenix.

At June 30, 2012, we had the following accredited institutions and branch campuses:

Institution and Branch Campuses	Accreditor [1]	Expiration of Accreditation [2]
The Art Institute of Atlanta *The Art Institute of Atlanta-Decatur, The Art Institute of Charleston, The Art Institute of Tennessee - Nashville, The Art Institute of Washington, The Art Institute of Washington-Dulles and The Art Institute of Virginia Beach*	SACS	12/31/2020
The Art Institute of Charlotte[3] *The Art Institute of Raleigh-Durham*	ACICS	12/31/2013
The Art Institute of Colorado	HLC	12/31/2013
The Art Institute of Fort Lauderdale	ACICS	12/31/2014
The Art Institute of Houston *The Art Institute of Austin, The Art Institute of Houston North and The Art Institute of San Antonio*	SACS	12/31/2015
The Art Institutes International Minnesota	ACICS	12/31/2014
The Art Institute of New York City	ACICS	12/31/2016
The Art Institute of Philadelphia	ACICS[4]	12/31/2015
The Art Institute of Phoenix *The Art Institute of Indianapolis, The Art Institute of Las Vegas, The Art Institute of Salt Lake City, The Art Institute of St. Louis, The Art Institute of Tucson, The Art Institute of Vancouver, The Art Institute of Wisconsin, The Art Institutes International Kansas City, Brown Mackie College - Akron, Brown Mackie College - Albuquerque, Brown Mackie College - Atlanta, Brown Mackie College - Birmingham, Brown Mackie College - Boise, Brown Mackie College - Cincinnati, Brown Mackie College - Dallas, Brown Mackie College - Findlay, Brown Mackie College - Fort Wayne, Brown Mackie College - Greenville, Brown Mackie College - Hopkinsville, Brown Mackie College - Indianapolis, Brown Mackie College - Louisville, Brown Mackie College - Merrillville, Brown Mackie College - Miami, Brown Mackie College - Michigan City, Brown Mackie College - North Canton, Brown Mackie College - Northern Kentucky, Brown Mackie College - Phoenix, Brown Mackie College - Quad Cities, Brown Mackie College - San Antonio, Brown Mackie College - South Bend, Brown Mackie College - St. Louis, Brown Mackie College - Tucson, and Brown Mackie College - Tulsa*	ACICS	12/31/2017
The Art Institute of Pittsburgh	Middle States	12/31/2013
The Art Institute of Portland	NWCCU	12/31/2016
The Art Institute of Seattle	NWCCU	12/31/2016
The Art Institute of York-Pennsylvania	ACICS	12/31/2014
The Illinois Institute of Art - Chicago *The Art Institute of Michigan, The Art Institute of Michigan - Troy, The Art Institute of Ohio - Cincinnati, The Illinois Institute of Art - Schaumburg, and The Illinois Institute of Art - Tinley Park*	HLC	12/31/2019
Miami International University of Art & Design *The Art Institute of Tampa and The Art Institute of Jacksonville*	SACS	12/31/2012
The New England Institute of Art	NEASC	12/31/2019
South University[3][5] *South University - Austin, South University - Cleveland, South University - Columbia, South University - Montgomery, South University - Novi, South University - Richmond, South University - Savannah, South University - Tampa, South University - West Palm Beach, South University - Virginia Beach, The Art Institute of Dallas and The Art Institute of Fort Worth*	SACS	12/31/2014

Institution and Branch Campuses	Accreditor [1]	Expiration of Accreditation [2]
Argosy University[5][6]	WASC	12/31/2018
Argosy University - Atlanta, Argosy University - Chicago, Argosy University - Dallas, Argosy University - Denver, Argosy University - Hawaii, Argosy University - Inland Empire, Argosy University - Los Angeles, Argosy University - Nashville, Argosy University - Orange County, Argosy University - Phoenix, Argosy University - Salt Lake City, Argosy University - San Diego, Argosy University - San Francisco, Argosy University - Sarasota, Argosy University - Schaumburg, Argosy University - Seattle, Argosy University - Tampa, Argosy University - Twin Cities, Argosy University - Washington, Western State College of Law, The Art Institute of California - Los Angeles, The Art Institute of California - Hollywood, The Art Institute of California - Inland Empire, The Art Institute of California - Orange County, The Art Institute of California - San Diego, The Art Institute of California - San Francisco, The Art Institute of California - Sacramento and The Art Institute of California - Sunnyvale		
Brown Mackie College - Salina	HLC	12/31/2015
Brown Mackie College - Lenexa and Brown Mackie College - Oklahoma City		

(1) All accrediting bodies are regional accrediting agencies with the exception of ACICS, which is a national accrediting agency. Abbreviations used in the table are as follows:
ACICS - Accrediting Council of Independent Colleges and Schools
HLC - Higher Learning Commission of the North Central Association
Middle States - Middle States Association of Colleges and Schools of the Commission on Higher Education
NEASC - New England Association of Schools and Colleges
NWCCU - Northwest Commission on Colleges and Universities
SACS - Southern Association of Colleges and Schools
WASC - Western Association of Schools and Colleges

(2) Accreditation as of June 30, 2012.

(3) The U.S. Department of Education approved The Art Institute of Charlotte and its branch The Art Institute of Raleigh-Durham as campuses of South University on August 10, 2012.

(4) The Art Institute of Philadelphia was accredited by Middle States on June 29, 2012.

(5) This institution is not a physical location independent of the branch campuses listed below.

(6) The Art Institute of California locations were also accredited by ACICS as of June 30, 2012. ACICS accreditation for these locations was voluntarily withdrawn on July 2, 2012.

Our regionally accredited institutions are overseen by boards of trustees that include a majority of independent members who review academic integrity and autonomy of the institutions. These governing boards have broad oversight over the schools' programs and operations, set the strategic direction for the institutions, play an active role in policy-making, and review financial resources of their institutions to ensure they are able to provide a sound educational program. In furtherance of that mission, each board of trustees develops policies appropriate to the needs of the institution and works closely with their respective administrations to, among other things, establish a climate for articulating and promoting the educational vision of the institutions.

In addition to the institutional accreditations described above, a number of our institutions have specialized programmatic accreditation for particular educational programs. For example, 17 Art Institutes offer interior design programs that have programmatic accreditation by the Council for Interior Design Accreditation, and 19 Art Institutes offer culinary programs accredited by the American Culinary Federation. Ten Argosy University locations have received accreditation by the American Psychological Association ("APA") for their Doctor of Psychology programs, and five Argosy University locations are accredited by the Council for Accreditation of Counseling and Related Educational Programs. Eight of our medical assisting programs (three at South University, four at Brown Mackie Colleges and one at Argosy University) are accredited by the Commission on Accreditation of Allied Health Education Programs. While these programmatic accreditations cannot be relied upon for our schools to obtain and maintain certification to participate in Title IV programs, they are commonly relied upon in the relevant professions as indicators of the quality of the academic program, and as such, assist graduates to practice or otherwise secure appropriate employment in their chosen fields.

Accrediting agencies monitor each educational institution's performance across a broad range of areas. Monitoring is generally performed through annual self-reporting and through the conduct of periodic site visits by representatives of the accrediting agency and qualified persons from peer institutions. In the event an accrediting agency determines that a school's performance in one or more areas falls below certain parameters, the accrediting agency may require the school to supply it with supplemental reports on the accrediting agency's specific areas of concern until that school meets the accrediting agency's performance guideline or standard. As of June 30, 2012, the following 13 of our schools were required to provide such supplemental reports due to student retention issues:

The Art Institute of California - Sacramento (1)
The Art Institutes International Kansas City
The Art Institute of New York City
The Art Institute of Raleigh Durham
The Art Institute of Las Vegas
The Art Institute of Salt Lake City
Brown Mackie College - Atlanta
Brown Mackie College - Boise
Brown Mackie College - Cincinnati
Brown Mackie College - Indianapolis
Brown Mackie College - Louisville
Brown Mackie College - North Canton
Brown Mackie College - Phoenix

(1) The Art Institute of California -- Sacramento was on supplemental reporting with ACICS as of June 30, 2012. The school formally withdrew from ACICS accreditation on July 2, 2012 in connection with becoming accredited by WASC.

Each of these 13 schools is also required to obtain permission from their accrediting agency prior to filing an application for a new location or program offering. We anticipate that additional schools will be required to file supplemental reports with ACICS due to student retention and/or placement issues experienced during fiscal 2012.

Additionally, we have six Surgical Technology programs at Brown Mackie Colleges that are required to provide supplemental reports to their programmatic accreditor, the Accrediting Bureau of Health Education Schools, due to student retention and/or placement issues.

An accrediting agency also may order an institution to show cause why its accreditation should not be revoked or conditioned if it receives information leading it to question whether the institution satisfies the requirements of continued accreditation. An institution found not to be in compliance with required standards may have its accreditation revoked or withdrawn, or it may be placed on probation to more closely monitor its compliance with accrediting requirements. We currently do not have any school on show cause status with its institutional accrediting agency.

The Doctor of Psychology program at Argosy University's San Francisco campus was placed on probation by the APA in March 2011 due to concerns expressed by the APA with respect to students admitted to the program, assessment of program goals, student attrition and student outcomes. Under a probationary status, the program remains accredited and has up to two years to address any deficiencies identified by the Council on Accreditation. The program will submit a self-study to the APA addressing the issues raised by the accrediting body by March 22, 2013. In addition, we expect the APA will conduct a site visit in response to the self-study in the fall of 2013.

If the results of these proceedings ultimately are unfavorable to us, we may lose or have limitations imposed on our accreditation, state licensing, state grant or Title IV program participation or suffer other consequences that could materially and adversely affect our business. Even if we adequately address the issues raised by an agency review, we may have to devote significant money and management resources to do so, and we may suffer interruptions in cash flows, which could harm our business. Additionally, we may experience adverse collateral consequences, including declines in the number of students enrolling at our schools and the willingness of third parties to conduct business with us or our schools, as a result of any associated negative publicity. See Item 1A – "Risk Factors" below.

Student Financial Assistance

Most of the students at our schools based in the United States rely, at least in part, on financial assistance to pay for the cost of their education. In the United States, the largest sources of such support are the federal student aid programs under Title IV of the HEA. Additional sources of funds include other federal grant programs, state grant and loan programs, private loan programs and institutional grants and scholarships. To provide students access to financial assistance resources available through Title IV programs, a school must be (i) authorized to offer its programs of instruction by the relevant agency of the states in which it is physically located and comply with applicable state requirements regarding fully online programs, (ii) institutionally accredited by an agency recognized by the U.S. Department of Education, and (iii) certified as an eligible institution by the U.S. Department of Education. In addition, the school must ensure that Title IV program funds are properly accounted for and disbursed in the correct amounts to eligible students and remain in compliance generally with the Title IV program regulations. Most of the U.S. Department of Education's requirements, such as the 90/10 Rule and the cohort default rate test, which are described in greater detail below, are applied on an institutional basis, with an institution defined as a main campus and its additional locations, if any. As of June 30, 2012, 19 of our 109 primary locations were recognized by the U.S. Department of Education as main campuses.

As in the United States, there are certain risks associated with operating post-secondary institutions in Canada, including, among other risks:

- if our schools fail to comply with extensive regulations, we could be subject to financial penalties, restrictions on our operations or loss of external financial aid funding for our students;
- the provinces or national government may change the law or reduce funding for student financial aid programs, which could harm our student population and revenue;
- if our schools do not maintain their approvals, they may not operate or participate in federal student financial aid programs; and
- government and regulatory agencies may conduct compliance reviews, bring claims or initiate litigation against us.

While most states in the United States support public colleges and universities primarily through direct state subsidies, the U.S. federal government provides a substantial part of its support for post-secondary education in the form of grants and loans to students who can use this support at any institution that has been certified as eligible by the U.S. Department of Education. Students at our U.S. schools receive loans, grants and work-study funding to fund their education under several Title IV programs, of which the two largest are the William D. Ford Federal Direct Loan ("Direct Loan") program and the Pell Grant ("Pell") program. Most of our U.S. schools also participate in the federal Supplemental Educational Opportunity Grant ("FSEOG") program, the federal Perkins Loan ("Perkins") program, the federal Work-Study program and the Iraq and Afghanistan Service Grant program.

During fiscal 2012 and 2011, the net cash receipts from the financial sources that funded our net revenues from tuition and fees for attending our post-secondary institutions were as follows (dollars in millions):

	Fiscal 2012			Fiscal 2011 (6)		
Total Aid	**Gross Cash Receipts (1)**	**% of Gross Cash Receipts**	**% of Net Revenues**	**Gross Cash Receipts (1)**	**% of Gross Cash Receipts**	**% of Net Revenues**
Federal Title IV Aid (2):						
Stafford Loans	$ 1,473.2	45.7%	53.4%	$ 1,750.6	48.6%	60.6%
PLUS Loans	341.7	10.6%	12.4%	368.3	10.2%	12.8%
Grad Plus Loans	71.2	2.2%	2.6%	73.8	2.1%	2.6%
Pell Grants	436.5	13.6%	15.7%	485.5	13.5%	16.8%
Other Title IV Aid (3)	16.4	0.5%	0.6%	23.1	0.6%	0.7%
Total Federal Title IV Aid	$ 2,339.0	72.6%	84.7%	$ 2,701.3	75.0%	93.5%
Private Loans	73.0	2.3%	2.6%	92.2	2.6%	3.2%
Education Finance Loan	—	—%	—%	14.0	0.4%	0.5%
Cash Payments	747.8	23.2%	27.1%	730.9	20.3%	25.3%
State Grants	48.7	1.5%	1.8%	51.0	1.4%	1.8%
Canadian Financial Aid	11.9	0.4%	0.4%	11.9	0.3%	0.4%
Total Receipts (4)	$ 3,220.4	100.0%	116.6%	$ 3,601.3	100.0%	124.7%
Net Revenues (5)			$ 2,761.0			$ 2,887.6

(1) Cash receipts are net of the return to the federal student financial aid programs of all unearned funds from students who withdraw from a program of study.

(2) Includes Title IV financial aid received by students attending (i) The Art Institutes during quarters starting during the fiscal year except for The New England Institute of Art, where the summer semester beginning in May was included in the following fiscal year; (ii) Argosy University during the summer semester that began in May prior to the beginning of the fiscal year and the fall and winter semesters that began during the fiscal year; (iii) South University during the quarters starting during the fiscal year, except that campus based students attending the summer quarter beginning at the end of June; (iv) Brown Mackie

Colleges during quarters starting during the fiscal year; and (v) Western State College of Law during semesters starting during the fiscal year. A portion of an undergraduate student's Direct Loan may be unsubsidized, depending upon his or her financial need.

(3) Includes FSEOG Awards, Perkins Loans and receipts from the Academic Competitive Grant program and the National SMART Grant program. The latter two programs ended on June 30, 2011.

(4) Total receipts include stipends, or financing received by students in excess of the tuition and fees that they pay to our schools, which we receive from financing sources on behalf of students. Stipends are generally used by students to fund living expenses while attending school. Total stipends paid to students during fiscal 2012 and 2011were $515.8 million and $664.6 million, respectively. Aid received from the Federal Work Study program is excluded from total cash receipts along with institutional aid, employee reimbursement of tuition payments and institutional scholarships.

(5) The difference between net revenues and gross cash receipts paid by students to attend our post-secondary institutions primarily relates to stipends received on behalf of students and the effect of timing differences between cash-basis and accrual-basis accounting, including changes in student accounts receivable balances.

(6) Certain amounts have been updated from the prior year presentation due to refunds and other revisions which occurred after the end of fiscal 2011.

Direct Loans. The Direct Loan program includes Stafford loans, both subsidized and unsubsidized, Parent Loan for Undergraduate Students ("PLUS") program loans, which are made available to parents of undergraduate students classified as dependents, and Grad PLUS program loans, which are made available to graduate and professional students. Prior to July 1, 2010, Stafford and PLUS program loans were also made available to students through the Federal Family Education Loan ("FFEL") program which was administered and funded by private sources. The Direct Loan program is administered and funded by the U.S. Department of Education.

Under the Direct Loan program, an undergraduate student may borrow up to $5,500 for the first academic year, $6,500 for the second academic year and, in certain educational programs, $7,500 for each of the third and fourth academic years. Students who are classified as independent can obtain up to an additional $4,000 for each of the first and second academic years and, depending upon the educational program, an additional $5,000 for each of the third and fourth academic years. Students enrolled in programs higher than a bachelor-level program can borrow up to $20,500 per academic year. Students enrolled in certain graduate-level health professions can receive an additional $12,500 per academic year. PLUS program loans may be obtained by parents of a dependent student in an amount not to exceed the difference between the total cost of that student's education (including allowable educational expenses) and other aid to which that student is entitled. Grad PLUS program loans may be obtained by eligible students in graduate programs in an amount not to exceed the difference between the total cost of that student's education (including allowable educational expenses) and other aid to which that student is entitled.

Pell. Pell grants are the primary component of Title IV programs under which the U.S. Department of Education makes grants to undergraduate students who demonstrate financial need. Every eligible student is entitled to receive a Pell grant; there is no institutional allocation or limit. Effective as of July 1, 2010, the maximum amount of availability of a Pell grant increased to $5,550 per year from a maximum of $5,350 per year in fiscal 2010 and a maximum of $4,731 in fiscal 2009. Effective from July 1, 2009 through June 30, 2011, certain students who attended school for more than two academic years within an award year were in some cases eligible for additional Pell grant awards. Effective July 1, 2012, the number of full-time semesters that a student is eligible to receive a Pell grant decreased from 18 to twelve and the number of full-time academic quarters decreased from 27 to 18. Additionally, the income threshold necessary for expected family contribution automatically set at zero decreased from $32,000 to $23,000. These changes may result in the inability of some of our students to continue to receive Pell grants, depending on their prior receipt of Pell grants, or a decrease in the amount of Pell grants that they are eligible to receive. The maximum available to an eligible student under the Pell grant program depends on student need and other factors.

FSEOG. FSEOG awards are designed to supplement Pell grants for the neediest undergraduate students. FSEOG grants at our schools generally range in amount from $300 to $1,200 per year. However, the availability of FSEOG awards is limited by the amount of those funds allocated by the U.S. Department of Education to an institution under a formula that takes into account the size of the institution, its costs and the income levels of its students. We are required to make a 25% matching contribution for all FSEOG program funds disbursed. Resources for this institutional contribution may include institutional grants and scholarships and, in certain U.S. states, portions of state grants and scholarships.

Perkins. Eligible undergraduate students may borrow up to $5,500 under the Perkins program during each academic year, with an aggregate maximum of $27,500 for students with at least two years of study. Eligible graduate students may borrow up to $8,000 in Perkins loans each academic year, with an aggregate maximum of $60,000. Perkins loans have a 5% interest rate and repayment is delayed until nine months after a student ceases enrollment as at least a half-time student. Perkins loans are made available to those students who demonstrate the greatest financial need. Perkins loans are made from a revolving account. Congress has not appropriated any new federal capital contributions to the Perkins program in several fiscal years. When Congress last funded the program, 75% of the new funding was contributed by the U.S. Department of Education and the remainder by the applicable school. Each school collects payments on Perkins loans from its former students and re-lends those funds to currently enrolled students. Collection and disbursement of Perkins loans is the responsibility of each participating institution. During fiscal 2012, payments from former students to the program were approximately $4.1 million. We were not required to make any matching contributions in fiscal 2012.

Federal Work-Study. Under the Federal Work-Study program, federal funds are made available to pay up to 75% of the cost of part-time employment of eligible students, based on their financial need, to perform work for the institution or for off-campus public or non-profit organizations. Most of our schools participate in the Federal Work-Study program. In order to participate in the program, each year a school must have at least 7% of the school's Federal Work-Study program allocation paid to students performing community service work and at least one student in a literacy job. In fiscal 2012, twelve of our 19 institutions met this requirement.

Legislative and Regulatory Action. Political and budgetary concerns can significantly affect Title IV programs. Congress generally reauthorizes the HEA approximately every six years. In August 2008, the Higher Education Opportunity Act ("HEOA") reauthorized the HEA through at least September 30, 2014. The HEOA, among other things, revised the 90/10 Rule, as described in more detail under "- Federal Oversight of Title IV Programs - The "90/10 Rule'", revised the calculation of an institution's cohort default rate, required additional disclosures and certifications with respect to non-Title IV private loans and prohibited certain activities or relations between lenders and schools to discourage preferential treatment of lenders based on factors not in students' best interests. In addition, Congress determines federal appropriations for Title IV programs on an annual basis. Congress also can make changes in the laws affecting Title IV programs in those annual appropriations bills and in other laws it enacts between HEA reauthorizations.

The U.S. Senate Committee on Health, Education, Labor and Pensions (the "HELP Committee") held a series of hearings on the proprietary education sector during 2010 and 2011 relating to student recruiting, accreditation matters, student debt, student success and outcomes, and other matters. The hearings held by the HELP Committee were not formally related to the program integrity rulemaking process undertaken by the U.S. Department of Education described below. On July 30, 2012, Senator Tom Harkin, Chairman of the HELP Committee, and the majority staff of the HELP Committee released a report, "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success." While stating that proprietary colleges and universities have an important role to play in higher education and should be well-equipped to meet the needs of non-traditional students who now constitute the majority of the postsecondary educational population, the report was highly critical of these institutions. The report contended that these institutions have a high cost of attendance, engage in aggressive and deceptive recruiting, have high drop-out rates, provide insufficient student support services, and are responsible for high levels of student debt and loan defaults, among other things. The report called for increased disclosure of information about student outcomes at proprietary colleges and universities, prohibiting institutions from using federal financial aid funding to market, advertise and recruit, amending the 90/10 Rule to prohibit these institutions from receiving more than 85% of their revenues from federal funds, including veterans benefits and Department of Defense tuition assistance, prohibiting the use of mandatory binding arbitration clauses in enrollment agreements, and other measures ostensibly to protect students and taxpayers. The report may be used for future legislative proposals in Congress in connection with a reauthorization of the HEA or other proposed legislation. The report could also lead to further investigations of proprietary schools and additional regulations promulgated by the U.S. Department of Education.

Program Integrity Regulations. In October 2010, the U.S. Department of Education issued new regulations pertaining to certain aspects of the administration of the Title IV programs, including state authorization; disclosure of information related to gainful employment; compensation for persons and entities engaged in certain aspects of recruiting, admissions and student financial aid; determination of attendance; the definition of what constitutes a substantial misrepresentation; and the definition of credit hours. With minor exceptions, these regulations became effective July 1, 2011. In addition to the rules, the U.S. Department of Education has issued several "Dear Colleague Letters" to provide sub-regulatory guidance on certain areas of the final regulations. The guidance is provided to assist institutions with understanding the regulations in these areas.

The program integrity rules have required us to change certain of our business practices and incur additional costs of compliance and of developing and implementing changes in operations, and have affected student recruitment and enrollment, resulted in changes in or elimination of certain educational programs and had other significant or material effects on our business. We believe that these changes have had a negative impact on our student enrollment, persistence and retention. We also cannot predict with certainty how the regulations will be interpreted. The new regulations may also subject us to *qui tam* lawsuits by private parties for alleged violations of the federal False Claims Act, 31 U.S.C. § 3729 *et seq*. ("False Claims Act") or state False Claims Acts. Any such actions by other bodies that affect our programs and operations or lawsuits under the False Claims Act could have a material adverse effect on our student population, our business, financial condition, results of operations and cash flows.

The program integrity rules that have had or may have the most significant impact on our business are the following:

Gainful Employment

Under the HEA, with the exception of certain liberal arts degree programs, proprietary schools are eligible to participate in Title IV programs only with respect to educational programs that prepare a student for "gainful employment in a recognized occupation." The U.S. Department of Education adopted regulations that were scheduled to become effective as of July 1, 2012 and that would have for the first time set forth standards for measuring whether programs lead to "gainful employment" in a recognized occupation. These regulations, and certain related regulations, were vacated by a decision by the United States District Court for the District of Columbia on June 30, 2012 in the case of *Association of Private Colleges and Universities v. Duncan* (the "*APSCU*" case) and remanded to the U.S. Department of Education for further action. On July 6, 2012, the U.S. Department of Education issued an announcement acknowledging that the Court had vacated the repayment rate metric as well as the debt-to-income metrics that would have gone into effect on July 1, 2012. The announcement also noted that institutions are not required to comply with related regulations relating to gainful employment reporting requirements and adding new educational programs, but are required to comply with requirements to disclose certain information about educational programs. On June 30, 2012, the U.S. Department of Education filed a motion asking the Court to amend its judgment by requiring institutions to report to the Department data to be used in calculating the repayment and debt-to-income metrics, which motion remains pending before the Court. The Court's decision on the motion, and its underlying decision vacating the repayment and debt-to-income metrics, is subject to appeal by the U.S. Department of Education and could be modified or reversed on appeal. Moreover, the U.S. Department of Education could take further action to address the Court's concerns regarding the regulations and obtain approval to enforce the regulations, or the U.S. Department of Education could issue new regulations regarding gainful employment. We cannot predict what steps the U.S. Department of Education will take in response to the Court's decision, how long those steps will take, or whether those steps will result in the U.S. Department of Education being able to enforce the gainful employment regulations or issuing new regulations.

Under the vacated rule, the U.S. Department of Education would review our submitted information and advise us whether it must approve the new program of study. During fiscal 2012, we developed ten academic programs not previously offered at any of our institutions and introduced over 250 academic programs to institutional locations that had not previously offered them. Any inability to obtain program approvals from the U.S. Department of Education in a timely manner could adversely impact our ability to serve new students and revise our programs to meet new areas of interest and respond to changing regulatory requirements, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The vacated gainful employment rule also created standards that would be used to measure "preparation for gainful employment." The rule established three annual metrics related to student loan borrowing by which gainful employment would be gauged:

1. Annual loan repayment rate, which measures the rate at which the federal student loan debt incurred by the applicable cohort of borrowers to attend the program is being repaid. Generally, the annual loan repayment rate for an academic program is the percentage of federal student loans incurred to fund the costs of a program that are in satisfactory repayment three to four years after entering repayment. Rates are calculated on a federal fiscal year basis. The repayment rate must be at least 35%. Institutions can challenge the repayment rate data using a process similar to one used to challenge cohort default rates;

2. Debt-to-discretionary income ratio, which compares (i) the annual repayment required on student loan debt attributable to tuition and fees by students who completed the program to (ii) their discretionary income. The median annual loan payment amount (calculated as described below) for the applicable cohort of students may not be greater than 30% of the greater of their average or median discretionary income. Discretionary income is the annual earnings of a program completer minus 150% of the U.S. Department of Health and Human Services (HHS) poverty guideline for a single person in the continental United States. The debt-to-discretionary income ratio examines students in their third or fourth year after graduation, calculated on a federal fiscal year basis. The earnings used will generally be based on information received by the U.S. Department of Education from the Social Security Administration, subject to the use of the 25th percentile of Bureau of Labor Statistics income data for specific "standard of occupational classification" codes under certain circumstances for fiscal years 2012 through 2014; and

3. Debt-to-income ratio, which compares (i) the annual repayment required on student loan debt attributable to tuition and fees by students who completed the program to (ii) their actual annual income. The median annual loan payment amount for the applicable cohort of students may not be greater than 12% of the greater of their average or median annual income. The debt-to-income ratio examines students in their third or fourth year after graduation, calculated on a federal fiscal year basis. The income used will generally be based on information received by the U.S. Department of Education from the Social Security Administration, subject to the use of the 25th percentile of Bureau of Labor Statistics income data for specific "standard of occupational classification" codes under certain circumstances for fiscal years 2012 through 2014.

Under the vacated regulations, if a program were to fail all three of the gainful employment metrics in a given year, the U.S. Department of Education would require the institution to disclose the amount by which the program under-performed the metrics and the institution's plan for program improvement. Also, the institution would be required to establish a three-day waiting period before students can enroll. Should a program fail to achieve the metrics twice within three years, the institution would continue to provide the first year disclosures and, among other things, also: disclose to current and prospective students that they should expect to have difficulty repaying their student loans; provide an explanation of the risks associated with enrolling or continuing in the program, including the potential consequences for, and options available to, the student if the program becomes ineligible for Title IV funds; and explain the resources available to research other educational options and compare program costs. Should a program fail three times within any four year period, the U.S. Department of Education would terminate the program's eligibility for federal student aid (i.e., students in the program would immediately lose eligibility to participate in Title IV programs), and the institution would not be able to reestablish the program's eligibility for at least three years, though the program could continue to operate without student aid. If implemented in the form adopted by the U.S. Department of Education as of July 1, 2012, the earliest a program could have lost eligibility under the gainful employment rule would be 2015, based on the 2012, 2013 and 2014 metrics.

The annual debt-to-income and debt-to-discretionary-income ratios are derived by determining the median loan debt of the applicable cohort of students who completed the program, and include most federal student loans, private loans, and debt obligations arising from institutional financing plans. The payment amounts are calculated on the basis of the interest rate then charged on federal direct unsubsidized student loans and the following amortization terms:

- 10 years for programs that lead to an undergraduate or post-baccalaureate certificate/diploma or to an associate's degree;
- 15 years for programs that lead to a bachelor's or master's degree; and
- 20 years for programs that lead to a doctoral or first-professional degree.

We cannot predict whether the gainful employment regulations will ultimately be upheld or altered as a result of the *APSCU* case. In the event that the regulations are upheld, the gainful employment regulations regarding gainful employment metrics, notifications and approval requirements for new programs and reporting of gainful employment data could be reinstated and become effective. Based on draft data published by the U.S. Department of Education in June 2012, a number of our programs would become ineligible to participate in the Title IV programs if the gainful employment regulations became effective in their current form. Additionally, under the regulations as adopted the continuing eligibility of our educational programs for Title IV funding would be at risk due to factors not entirely within our control, such as changes in the actual or deemed income level of our graduates, changes in student borrowing levels, increases in interest rates, changes in the federal poverty income level relevant for calculating discretionary income, changes in the percentage of our former students who are current in repayment of their student loans and other factors. Further, even though deficiencies in the metrics may be correctable on a timely basis, the disclosure requirements to students following a failure to meet the standards may adversely impact enrollment in that program and may adversely impact the reputation of our educational institutions. We have implemented a number of initiatives to respond to the gainful employment rules, such as shorter programs and lowering the costs associated with a number of our programs and continue to do so despite the ruling in the *APSCU* case. However, certain of our programs would be unable to maintain eligibility to enroll students receiving Title IV funds or have restrictions placed upon program offerings as a result of not meeting prescribed metrics if the gainful employment regulations become effective in their current form. To the extent that our new programmatic offerings do not offset the loss of any of our current programs which do not satisfy one of the three metrics under the new gainful employment regulation, the loss of students or restrictions to program eligibility could have a material adverse effect on our student population, business, financial condition, results of operations and cash flows.

The final gainful employment rules regarding the introduction of new programs of study, which had taken effect on July 1, 2011 and also were vacated by the Court in the APSCU case, required us to notify the U.S. Department of Education at least 90 days in advance of starting classes in any new program of study. The notice included, among other things, information with regard to:

- how we determined that a need for the program existed;
- how the program was designed to meet local market needs for programs delivered in residence, or regional or national market needs for programs delivered by distance education over the Internet;
- any wage analysis that the institution performed;
- how the program was reviewed or approved by, or developed in conjunction with, business advisory committees, program integrity boards, public or private oversight or regulatory agencies and businesses that would likely employ graduates;
- the inclusion of the program in the institution's accreditation; and
- the date that the institution plans to start classes in the program.

Under the vacated rule, the U.S. Department of Education would review our submitted information and advise us whether it must approve the new program of study before Title IV funds could be disbursed to students enrolled in the program. During fiscal 2012, we developed ten academic programs not previously offered at any of our institutions and introduced over 250 academic programs to institutional locations that had not previously offered them. Any inability to obtain program approvals from the U.S. Department of Education in a timely manner could adversely impact our ability to serve new students and revise our programs to meet new areas of interest and respond to changing regulatory requirements, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Incentive Compensation

A school participating in Title IV programs may not pay any commission, bonus or other incentive payments to any person involved in student recruitment or admissions or awarding of Title IV program funds, if such payments are based directly or indirectly on success in enrolling students or obtaining student financial aid. The statutory language of this prohibition does not establish clear criteria for compliance in all circumstances, but between 2002 and June 30, 2011 there were twelve "safe harbors" that defined specific types of compensation that were deemed not to constitute impermissible incentive compensation. Until June 30, 2011, we relied on several of these safe harbors to ensure that our compensation and recruitment practices comply with the statutory prohibition. Under the new regulation, effective July 1, 2012 all twelve safe harbors were eliminated. The new regulation prohibits any commission, bonus, or other incentive payment based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, to any person or entity who is engaged in any student recruitment or admission activity, or in making decisions regarding the award of Title IV program funds. The regulation permits merit-based adjustments to employee compensation, provided that such adjustments are not based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid. The regulations also expanded the prohibition to individuals who have "responsibility for" recruitment or admission of students or making decisions about awarding Title IV program funds. The U.S. Department of Education states that an institution still will be able to make merit-based adjustments to employee compensation, but will not be permitted to consider or base compensation directly or indirectly, in any part, on success in securing student enrollments, the award of financial aid or institutional goals based on that success. As a result of the final regulations, we changed our evaluation and compensation practices for admissions and financial aid representatives and certain other employees. We believe that these changes to our business practices have negatively affected student recruitment or enrollment due to a decreased productivity from our admissions representatives. The new compensation plan for our admissions representatives will result in a decrease to our revenues if we are unable to maintain or increase the number of students enrolled in our schools.

In addition, uncertainty in the interpretation of the new regulations could increase the risk of future Federal False Claims Act *qui tam* lawsuits in which private plaintiffs assert that our compensation practices violate the incentive compensation rules and, therefore, that our receipt of Title IV funds constitutes a false claim. The U.S. Department of Justice and five states have intervened in a *qui tam* action captioned *United States of America, and the States of California, Florida, Illinois, Indiana, Massachusetts, Minnesota, Montana, New Jersey, New Mexico, New York and Tennessee, and the District of Columbia, each ex rel., Lynntoya Washington and Michael T. Mahoney v. Education Management Corporation, et al.* which was filed under the federal False Claims Act in April 2007. The case, which is pending in federal district court in the Western District of Pennsylvania, relates to whether our compensation plans for admission representatives violated the HEA and the prior incentive compensation regulation and safe harbors during the period of July 1, 2003 through June 30, 2011. See Item 3, "Legal Proceedings" below.

Clock Hours

The final rules require that a program of study be considered a clock hour program for the purposes of Title IV program funding when measuring student progress in clock hours is a requirement of receiving federal or state approval to offer the program (except where such requirement applies only to a practicum, internship, or clinical experience component of the program), or completing clock hours is a requirement for graduates to apply for licensure or the authorization to practice the occupation that the student is intending to pursue. The scope of these final rules, particularly as applied to the manner by which programs of study are approved by various states, is unclear. Students attending programs of study that are now required to be measured in clock hours may receive less funds from Title IV programs to pay their cost of education. Students interested in those programs of study may have to use more expensive private financing to pay their cost of education or may be unable to enroll in those programs of study. Students may determine that they do not qualify for private financing or that the private financing costs make borrowing too expensive, which may cause students to abandon or delay their education. Any or all of these factors could reduce our enrollment, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and stock price.

State Authorization

Under the HEA, an institution must be authorized by each state in which it is located to participate in Title IV programs. The U.S. Department of Education historically has determined that an institution is licensed or otherwise authorized in order to be certified as eligible to participate in Title IV programs if the institution's state does not require the institution to obtain licensure or authorization to operate in the state. The new state authorization regulations establish specific new federal requirements with respect to whether or not a state's authorization of an educational institution is sufficient for that institution to participate in Title IV programs. The U.S. Department of Education stated at the time it published the final regulation that it recognized that a state might be unable to provide appropriate state authorizations to its institutions by the July 1, 2011 effective date of the regulation and that institutions unable to obtain state authorization in that state may request a one-year extension of the effective date of the regulations to July 1, 2012 (and, if necessary, an additional one year extension of the effective date to July 1, 2013). The U.S. Department of Education stated that, to receive an extension of the effective date, an institution would have to obtain from the state an explanation of how a one-year extension would permit the state to modify its procedures to comply with the regulations. The U.S. Department of Education issued additional guidance stating that institutions should not submit requests for extension to the Department, but rather must obtain from the state a written explanation of how the extension would permit the state to modify its procedures and must obtain further explanation if an extension is needed until July 1, 2013. As of June 30, 2012, we believe that all of our campuses were physically located in states that satisfied the U.S. Department of Education's final rules regarding state authorization except for our schools located in California (14 schools) and Hawaii (one school). Our California and Hawaii schools have requested their second of two permitted one-year extensions from the U.S. Department of Education to allow these states additional time to comply with the new regulations. If the U.S. Department of Education rejected the basis for the extensions, the affected schools could be deemed to have lacked state authorization and subject to sanctions including loss of Title IV eligibility and a requirement to repay funds disbursed to students during the period in which the schools purportedly lacked state authorization. If the states of California and Hawaii are unable to comply with the new state authorization regulation by June 30, 2013, students at our schools located in those states will be unable to access Title IV program funds, which would have a material adverse effect on our business, financial condition and results of operations.

Substantial Misrepresentation

The new substantial misrepresentation regulation significantly expands what may constitute substantial misrepresentation by an institution, including statements about the nature of its educational programs, its financial charges or the employability of its graduates. Any false, erroneous, or misleading statement that an institution, one of its representatives, or person or entity with whom the institution has an agreement to provide educational programs, marketing, advertising, recruiting or admissions services, makes directly or indirectly to a student, prospective student, any member of the public, an accrediting agency, a state licensing agency or the U.S. Department of Education could be deemed a misrepresentation by the institution. In the event that the U.S. Department of Education determines that an institution engaged in a substantial misrepresentation, it can revoke the institution's program participation agreement, impose limitations on the institution's participation in Title IV programs, deny participation applications on behalf of the institution, or seek to fine, suspend or terminate the institution's participation in Title IV programs. In June 2012, the United States Court of Appeals for the District of Columbia Circuit issued a decision holding, among other things, that portions of the substantial misrepresentation regulation allowing the U.S. Department of Education to revoke the institution's program participation agreement or impose limitations on the institution's participation without affording procedural protections were unlawful and remanding the matter so that the Department could revise those portions of the regulations. The new regulation could create an expanded role for the U.S. Department of Education in monitoring and enforcing prohibitions on misrepresentation, as well as encourage private litigants to seek to enforce the expanded regulations through False Claims Act litigation, which could have a material adverse effect on our business, financial condition and results of operations.

New Negotiated Rulemaking

On September 27, 2011, the U.S. Department of Education published a Notice of Proposed Rulemaking (“NPRM”) to amend regulations for institutional eligibility under the HEA, as reauthorized, and to streamline the application and approval process for new programs, as required by the gainful employment rules. The public comment period ended on November 14, 2011 and the U.S. Department of Education is reviewing and considering responses to the NPRM before publishing final regulations that would be effective by July 2013.

The U.S. Department of Education announced its intention to establish one or more negotiated rulemaking committees to propose additional new regulations under the HEA in April 2011 and held three public hearings in May 2011, at which interested parties suggested issues that should be considered for action by the negotiating committees. In October 2011, the U.S. Department of Education announced that it would be establishing two new negotiated rulemaking committees: one to address student loan issues and the other to address issues related to teacher preparation and the Teacher Education Assistance for College and Higher Education (“TEACH”) grant program. The U.S. Department of Education has proposed regulations primarily addressing technical updates to programs based on the negotiated rulemaking sessions. Any new regulations must be finalized and published by November 1, 2012 in order for the new regulations to take effect July 1, 2013.

Other Financial Assistance Sources

Students at several of our U.S. schools participate in state aid programs. In addition, certain students at some of our U.S. schools receive financial aid provided by the U.S. Department of Veterans Affairs, the U.S. Department of the Interior (Bureau of Indian Affairs) and the Rehabilitative Services Administration of the U.S. Department of Education (vocational rehabilitation funding). Effective August 1, 2009, the Post 9/11 Veterans Educational Assistance Act of 2008 provided additional educational funding to eligible veterans who served in the U.S. military. During fiscal 2012, students attending our schools received approximately $164 million of financial aid from the Department of Veteran Affairs and the Department of Defense. Recently, some members of Congress have proposed substantially decreasing the amount of education benefits available to veterans, which could have a material adverse effect on our business, results of operations and ability to comply with the 90/10 Rule. Our schools also provide institutional grants and scholarships to qualified students. In fiscal 2012, institutional scholarships had a value equal to approximately 5% of our net revenues as compared to approximately 4% of our net revenues in fiscal 2011.

We have relationships with several lending institutions that provide private loans to students attending our schools who meet their underwriting criteria. Private loans facilitate funding which students can use to pay a portion of their tuition and fees that they are unable to pay through personal resources or government-backed loan programs. Such loans are without recourse to us or our schools. Revenues derived indirectly from private loans to students at our schools, excluding loans under the Education Finance Loan program that we introduced in fiscal 2008 and sold in April 2011, represented approximately 2.6% and 3.2% of our net revenues in fiscal 2012 and 2011, respectively. Approximately 80% of the private loans in fiscal 2012 were offered and serviced by two lenders. One of the two lenders which originated approximately 20% of private loans during fiscal 2012 has ceased originating loans to students attending our schools. During the last several years, adverse market conditions for consumer student loans resulted in providers of private loans reducing the attractiveness and/or decreasing the availability of private loans to post-secondary students, including students with low credit scores who would not otherwise be eligible for credit-based private loans.

Due to the lack of availability of private lending sources, we have increased the extension of credit to our students for periods of up to 36 months beyond graduation, which has resulted in higher bad debt expense as a percentage of net revenues in fiscal 2012 compared to prior periods. The total amount of student receivables with payment due dates beyond twelve months were approximately $34.8 million at June 30, 2012 as compared to $18.6 million at June 30, 2011.

Federal Oversight of Title IV Programs

Our U.S. schools are subject to audits or program compliance reviews by various external agencies, including the U.S. Department of Education, its Office of Inspector General and state, guaranty and accrediting agencies. The HEA and its implementing regulations also require that an institution’s administration of Title IV program funds be audited annually by an independent accounting firm. If the U.S. Department of Education or another regulatory agency determines that an institution has improperly disbursed Title IV or state program funds or violated a provision of the HEA or state law or their implementing regulations, the affected institution may be required to repay such funds to the U.S. Department of Education or the appropriate state agency or lender and may be assessed an administrative fine and be subject to other sanctions. Although we endeavor to comply with all federal and state laws and implementing regulations, we cannot guarantee that our interpretation of the relevant rules will be upheld by the U.S. Department of Education or other agencies, or upon judicial review.

Our institutions are required to seek recertifications periodically from the U.S. Department of Education in order to participate in Title IV programs. All of our institutions are provisionally certified. The current provisional certifications of our institutions expire as follows: three institutions are currently under review; one expires during fiscal 2013; two expire in 2014; and twelve expire in fiscal 2015. While provisional certification does not by itself limit an institution's access to Title IV program funds, it does subject our institutions to closer review by the U.S. Department of Education and possible summary adverse action if one of our institutions commits a material violation of Title IV program requirements. Moreover, institutions on provisional certification are required to obtain from the U.S. Department of Education prior approval of new additional locations before disbursing Title IV funds to students attending those locations.

During fiscal 2012, three of our institutions were the subject of U.S. Department of Education program reviews as compared to five such reviews in fiscal 2011. We received final reports from the U.S. Department of Education for three program reviews in fiscal 2012, including two program reviews performed in fiscal 2011, and have not received a final report for two of the program reviews performed in fiscal 2012 and one program review performed in fiscal 2011.

On March 22, 2011, the Company received a subpoena from the Office of Inspector General of the U.S. Department of Education requesting documents related to satisfactory academic progress standards and state licensing of fully online programs offered by South University and The Art Institute of Pittsburgh for the period beginning January 1, 2006 through the date of the subpoena. The OIG has not contacted us since our last production of materials in response to the subpoena in December 2011 and we believe that we have fully responded to their document requests. However, we cannot predict the eventual scope, duration or outcome of the investigation at this time.

If the U.S. Department of Education is dissatisfied with an institution’s administration of Title IV programs, it can transfer, without prior notice or judicial review, the institution from the advance system of receiving Title IV program funds to a cash monitoring or reimbursement method of payment, under which a school may have to advance its own funds to students and provide documentation to the U.S. Department of Education that the funds were properly disbursed prior to receiving reimbursement from Title IV programs. Each of our institutions disburses Title IV program funds under Level 1 heightened cash monitoring due to our failure to satisfy the U.S. Department of Education's financial responsibility standards.

Violations or alleged violations of Title IV program requirements also could subject us to other civil and criminal proceedings and sanctions, suits under the federal False Claims Act or state False Claims Acts, limitations on our operations and ability to open new locations, or administrative proceedings to impose fines or limit, suspend or terminate our eligibility for participation in Title IV programs. The U.S. Department of Education also may initiate an emergency action to temporarily suspend an institution's participation in Title IV programs without advance notice if it determines that a regulatory violation creates an imminent risk of material loss of public funds.

The HEA requires each accrediting agency recognized by the U.S. Department of Education to undergo comprehensive periodic review by the U.S. Department of Education to ascertain whether such accrediting agency is adhering to required standards. If an accreditation agency loses its approval by the U.S. Department of Education, the HEA grants affected institutions reasonable opportunity to apply for accreditation from a different agency.

Financial Responsibility Standards. Education institutions participating in Title IV programs must satisfy a series of specific standards of financial responsibility. The U.S. Department of Education has adopted standards to determine an institution's financial responsibility to participate in Title IV programs. The regulations establish three ratios: (i) the equity ratio, intended to measure an institution's capital resources, ability to borrow and financial viability; (ii) the primary reserve ratio, intended to measure an institution's ability to support current operations from expendable resources; and (iii) the net income ratio, intended to measure an institution's profitability. Each ratio is calculated separately, based on the figures in the institution's most recent annual audited financial statements, and then weighted and combined to arrive at a single composite score. The composite score must be at least 1.5 in order for the institution to be deemed financially responsible without conditions or additional oversight. If an institution fails to meet any of these requirements, the U.S. Department of Education may set restrictions on the institution's eligibility to participate in Title IV programs. Institutions are evaluated for compliance with these requirements as part of the U.S. Department of Education's renewal of certification process and also annually as each institution submits its audited financial statements to the U.S. Department of Education.

Following the Transaction, the U.S. Department of Education separately considered our and our schools' compliance with the financial responsibility requirements on a consolidated basis. As of June 30, 2012, we did not meet the required quantitative measures of financial responsibility on a consolidated basis due to the amount of indebtedness we incurred and goodwill we recorded in connection with the Transaction. As a result, all of our institutions have been provisionally certified to participate in Title IV programs and we are required to post a letter of credit with the U.S. Department of Education. The amount of the letter of credit is currently set at 15% of the Title IV program funds received by students at our schools during fiscal 2011, or $414.5 million. While provisional certification does not by itself limit an institution's access to Title IV program funds, it does subject our institutions to closer review by the U.S. Department of Education and possible summary adverse action if one of our institutions commits a material violation of Title IV program requirements. Additionally, the U.S. Department of Education has placed our institutions on heightened cash monitoring Level 1 due to the provisional certification and has included a requirement in our program participation agreements that we obtain their approval prior to offering new programs at our institutions. These restrictions, along with the letter of credit requirement, will be in effect until at least June 2013 and are likely to continue beyond that date. Furthermore, because we are provisionally certified, the U.S. Department of Education has the discretion to change the amount of our required letter of credit and to impose additional conditions or limitations, including additional restrictions on our receipt of Title IV funds. Outstanding letters of credit reduce the availability under our revolving credit facility. In the future, we may not have sufficient letter of credit capacity under our revolving credit facility and cash secured letter of credit facilities to satisfy the letter of credit requirement for the U.S. Department of Education. No assurance can be given that additional restrictions which may be imposed by the U.S. Department of Education due to our failure to satisfy the financial responsibility standards will not materially and adversely impact our revenues and cash flows.

Cohort Default Rates. Under the HEA, an institution may lose its eligibility to participate in certain Title IV programs if the rates at which the institution's students default on their federal student loans exceed specified percentages. The U.S. Department of Education calculates these rates for each institution on an annual basis, based on the number of students who have defaulted, not the dollar amount of such defaults. Each institution that participated in the FFEL/Direct Loan program and/or participates in the Direct Loan program receives a FFEL/Direct Loan cohort default rate for each federal fiscal year based on defaulted program loans. A federal fiscal year is October 1 through September 30. Beginning in September 2012, the U.S. Department of Education will calculate an institution's annual cohort default rate based on two methodologies: the rate at which borrowers scheduled to begin repayment on their loans in one federal fiscal year default on those loans by the end of the next federal fiscal year (the "Two-Year CDR"); and the rate at which borrowers scheduled to begin repayment on their loans in one federal fiscal year default on those loans by the end of the second succeeding federal fiscal year (the "Three-Year CDR").

Under the Two-Year CDR, if an institution's FFEL/Direct Loan cohort default rate equals or exceeds 25% for each of the three most recent federal fiscal years, it no longer will be eligible to participate in the FFEL/Direct Loan and Pell programs for the remainder of the federal fiscal year in which the U.S. Department of Education determines that such institution has lost its eligibility and for the two subsequent federal fiscal years. If an institution's FFEL/Direct Loan cohort default rate exceeds 40% for any single fiscal year, it no longer will be eligible to participate in the FFEL and Direct Loan programs for the remainder of the federal fiscal year in which the U.S. Department of Education determines that such institution has lost its eligibility and for the two subsequent federal fiscal years. If, at any given point, an institution's Perkins cohort default rate equals or exceeds 50% for each of the three most recent federal fiscal years it no longer will be eligible to participate in the Perkins programs for the remainder of the federal fiscal year, in which the U.S. Department of Education determines that such institution has lost its eligibility and for the two subsequent federal fiscal years.

The U.S. Department of Education typically publishes draft cohort default rates in February and the final rates in September of each year. None of our schools has had a FFEL/Direct Loan Two-Year CDR of 25% or greater for any of the last three consecutive federal fiscal years. Our final and draft Two-Year CDRs for federal fiscal years 2009 and 2010, respectively, were as follows:

Institution	Fiscal 2009 Two-Year CDR (%)	Draft Fiscal 2010 Two-Year CDR (%) (2)
The Art Institute of Atlanta	16.0	13.1
The Art Institute of California - Hollywood (1)	15.3	14.6
The Art Institute of California - Los Angeles (1)	9.8	11.2
The Art Institute of California - San Diego (1)	11.2	11.0
The Art Institute of Charlotte	14.0	13.4
The Art Institute of Colorado	9.9	10.9
The Art Institute of Fort Lauderdale	13.0	10.4
The Art Institute of Houston	14.0	13.5
The Art Institute of New York City	17.6	13.2
The Art Institute of Philadelphia	15.2	9.4
The Art Institute of Phoenix	16.3	15.0
The Art Institute of Pittsburgh	15.4	14.6
The Art Institute of Portland	6.4	7.5
The Art Institute of Seattle	8.6	8.7
The Art Institute of York - Pennsylvania	6.8	8.2
The Art Institutes International Minnesota	8.4	8.4
The Illinois Institute of Art - Chicago	10.4	10.9
Miami International University of Art & Design	14.2	11.3
The New England Institute of Art	10.1	9.2
Argosy University	5.4	6.5
South University	13.5	12.0
Brown Mackie College - Salina	13.4	11.3
Western State College of Law (1)	0.6	1.8

(1) Institution became part of Argosy University for accreditation and Title IV program purposes during fiscal 2012.
(2) Our final Two-Year CDR may differ from the draft rates presented above.

The weighted average of the combined official FFEL/Direct Loan Two-Year CDRs for borrowers at our institutions during federal fiscal year 2009 was 13.0% as compared to a weighted average of 12.2% for the federal fiscal year 2010 draft rates.

Under the Three-Year CDR calculation, most institutions' respective cohort default rates will increase materially due to the extended default period. The HEA reauthorization provided some relief from the increase in cohort default rates by increasing the default rate threshold for the Three-Year CDR from 25% to 30% and by requiring that the rate as calculated under the Two-Year CDR methodology will be used in determining sanctions associated with high cohort default rates until the Three-Year CDRs have been calculated and issued for fiscal 2009, 2010 and 2011, the latter of which will be calculated and issued in 2014. Our draft Three-Year CDRs for federal fiscal year 2009 were as follows:

Institution	Draft Fiscal 2009 Three-Year CDR (%)
The Art Institute of Atlanta	26.9
The Art Institute of California - Hollywood [1]	24.3
The Art Institute of California - Los Angeles [1]	19.7
The Art Institute of California - San Diego [1]	19.5
The Art Institute of Charlotte	24.7
The Art Institute of Colorado	17.4
The Art Institute of Fort Lauderdale	21.8
The Art Institute of Houston	26.0
The Art Institute of New York City	28.7
The Art Institute of Philadelphia	24.4
The Art Institute of Phoenix	25.8
The Art Institute of Pittsburgh	23.8
The Art Institute of Portland	12.5
The Art Institute of Seattle	14.6
The Art Institute of York - Pennsylvania	10.4
The Art Institutes International Minnesota	16.0
The Illinois Institute of Art - Chicago	22.6
Miami International University of Art & Design	24.4
The New England Institute of Art	14.7
Argosy University	9.2
South University	21.9
Brown Mackie College - Salina	23.5
Western State College of Law [1]	1.8

[1] Institution became part of Argosy University for accreditation and Title IV program purposes during fiscal 2012.

The weighted average of the combined draft FFEL/Direct Loan Three-Year CDR for borrowers at our institutions during federal fiscal year 2009 was 21.6%. The final FFEL/Direct Loan Three-Year CDRs are expected to be issued by the U.S. Department of Education in September 2012.

Institutions that exceed the FFEL/Direct Loan cohort default rate threshold (25% under the current Two-Year CDR calculation) or have a cohort default rate for Perkins loans that exceeds 15% for the most recent federal award year (July 1 through June 30) may be placed on provisional certification status for up to three years. Provisional certification by itself does not limit an institution’s access to Title IV program funds but does subject that institution to closer review by the U.S. Department of Education and possible summary adverse action if the U.S. Department of Education determines that the institution is unable to meet its responsibilities under its program participation agreement.

As of June 30, 2012, ten of our twelve institutions participating in the Perkins program had Perkins cohort default rates in excess of 15% for students who were to begin repayment during the federal award year ended June 30, 2011, the most recent year for which such rates have been calculated. None of these institutions had a Perkins cohort default rate in excess of 50%. Funds from the Perkins program did not exceed 0.9% of these institutions’ respective net revenues in fiscal 2012. None of these institutions has been placed on provisional certification for this reason. Because we have not disbursed Perkins loans at many of our institutions during the past few years, it is possible that the U. S. Department of Education may not permit those institutions to participate in the Perkins program in the future.

Each of our schools whose students participate in the FFEL/Direct Loan program maintains a student loan default management plan if its default rate equals or exceeds 5%. Those plans provide for extensive loan counseling, methods to increase student persistence and completion rates and graduate employment rates, strategies to increase graduate salaries and, for most schools, the use of external agencies to assist the school with loan counseling and loan servicing after a student ceases to attend that school. These activities are in addition to the loan servicing and collection activities of FFEL/Direct Loan lenders and guaranty agencies. The historical default rates experienced by Argosy University and Western State College of Law have been relatively low, and therefore these schools have engaged in significantly fewer default management activities.

Recertification of Title IV Eligibility. The U.S. Department of Education is required to conduct periodic reviews to determine whether to renew the eligibility and certification of every institution participating in Title IV programs. Generally, such reviews occur every six years, although it typically occurs after three years for an institution on provisional certification. A denial of renewal of certification precludes a school from continuing to participate in Title IV programs. Currently, all of our schools are operating under provisional program participation agreements with the U.S. Department of Education due to the debt incurred and goodwill recorded in connection with the Transaction. During fiscal 2013, one of our institutions must be recertified by the U.S. Department of Educations and, as of June 30, 2012, three institutions that were required to be recertified in fiscal 2012 were pending approval.

Return of Title IV Funds. Institutions that receive Title IV funds must follow requirements that ensure the return to the federal student financial aid programs of all unearned funds of a student who withdraws from a program. If refunds are not properly calculated and timely paid, institutions are subject to adverse actions by the U.S. Department of Education. Our independent Title IV compliance audits for fiscal 2012 are currently in process.

Administrative Capability Requirements. Regulations of the U.S. Department of Education specify extensive criteria an institution must satisfy to establish that it has the requisite “administrative capability” to participate in Title IV programs. These criteria require, among other things, that the institution comply with all applicable federal student financial aid regulations, have capable and sufficient personnel to administer Title IV programs, have acceptable methods of defining and measuring the satisfactory academic progress of its students, provide financial aid counseling to its students and submit all reports and financial statements required by the regulations. If an institution fails to satisfy any of these criteria, the U.S. Department of Education may require the repayment of federal student financial aid funds, transfer the institution from the advance system of payment of Title IV program funds to the cash monitoring or reimbursement method of payment, place the institution on provisional certification status or commence a proceeding to impose a fine or to limit, suspend or terminate the participation of the institution in Title IV programs.

Restrictions on Operating Additional Schools. The HEA generally requires that certain educational institutions be in full operation for two years before applying to participate in Title IV programs. However, under the HEA and applicable regulations, an institution that is certified to participate in Title IV programs may establish an additional location and apply to participate in Title IV programs at that location without reference to the two-year requirement if such additional location satisfies all other applicable requirements. If the institution is provisionally certified (which is the case for our institutions that participate in Title IV programs), the institution must apply for approval from the U.S. Department before disbursing Title IV funds to students attending the additional location. In addition, a school that undergoes a change of ownership resulting in a change of control (as defined under the HEA) must be reviewed and recertified for participation in Title IV programs under its new ownership. All of our schools are currently provisionally certified due to the Transaction. During the time when a school is provisionally certified, it may be subject to summary adverse action for a material violation of Title IV program requirements and may not establish additional locations without prior approval from the U.S. Department of Education. However, provisional certification does not otherwise limit an institution’s access to Title IV program funds. Our expansion plans are based, in part, on our ability to add additional locations and acquire schools that can be recertified. The U.S. Department of Education informed us following the Transaction that it would not seek to impose growth restrictions on any of our schools as a result of the Transaction. Additionally, in May 2010 the U.S. Department of Education notified us that it will process requests for new locations and programs under our existing expansion plans and requested notification from us of any expansion beyond our existing plans in order to analyze those plans.

The “90/10 Rule”. Under a provision of the HEA commonly referred to as the “90/10 Rule”, an institution will cease to be eligible to participate in Title IV programs if, on a cash accounting basis, more than 90% of its revenues for each of two consecutive fiscal years were derived from Title IV programs as calculated under the applicable regulations. If an institution loses its Title IV eligibility under the 90/10 Rule, it may not reapply for eligibility until the end of two fiscal years. Institutions that fail to satisfy the 90/10 Rule for one fiscal year are placed on provisional certification. For our institutions that disbursed federal financial aid during fiscal 2012, the percentage of revenues derived from Title IV programs ranged from approximately 56% to 86%, with a weighted average of approximately 79% as compared to a weighted average of approximately 78% in fiscal 2011.

The following table shows the 90/10 ratio for each of our institutions for the fiscal year ended June 30, 2012:

Institution	90/10 Ratio
The Art Institute of Phoenix	86%
The Art Institute of Pittsburgh	84%
South University	84%
The Art Institute of Charlotte	83%
Brown Mackie College - Salina	83%
Argosy University	80%
The Art Institute of New York City	77%
The Art Institute of York - Pennsylvania	76%
The Illinois Institute of Art - Chicago	74%
The Art Institute of Atlanta	73%
The Art Institute of Portland	73%
The Art Institute of Fort Lauderdale	73%
The Art Institute of Philadelphia	70%
The New England Institute of Art	69%
The Art Institute of Houston	69%
Miami International University of Art & Design	67%
The Art Institutes International Minnesota	67%
The Art Institute of Colorado	64%
The Art Institute of Seattle	56%

Continued decreases in the availability of state grants, together with the inability of households to pay cash due to the current economic climate and decreased availability of private loans, have adversely impacted our ability to comply with the 90/10 Rule because state grants generally are considered cash payments for purposes of the 90/10 Rule. During fiscal 2012, students attending our schools received approximately $164 million of financial aid from the U.S. Department of Veterans Affairs and the U.S. Department of Defense. Some members of Congress have proposed substantially decreasing the amount of education benefits available to veterans and the budget for the U.S. Department of Defense in connection with the current federal budget issues. Further, a bill has been introduced in the U.S. Senate that would revised the 90/10 Rule to no longer treat financial aid from the U.S. Department of Veteran Affairs and U.S. Department of Defense as cash payments for purposes of the rule and to prohibit institutions from participating in Title IV programs for one year if they derive more than 90% of their total revenue on a cash accounting basis from the Title IV programs in a single fiscal year rather than the current rule of two consecutive fiscal years. In May 2012, attorneys general from 21 states and a chief consumer-affairs official for another state sent a letter to the leaders of the House and Senate education and veterans-affairs committees requesting that they revise the 90/10 Rule so that GI Bill and other educational benefits for military veterans count toward the 90-percent cap on the amount of annual revenue a proprietary college may receive from federal student-aid programs. These proposed revisions to the 90/10 Rule would have a negative impact on our ability to comply with the 90/10 Rule if they are approved by Congress and the President and become law If any of our institutions violates the 90/10 Rule, its ineligibility to participate in Title IV programs for at least two years would have a material adverse effect on our enrollments, net revenues and results of operations.

State Authorization and Accreditation Agencies

Each of our U.S. campuses is authorized to offer education programs and grant degrees or diplomas by the state in which such school is physically located. The level of regulatory oversight varies substantially from state to state. In some states, the schools are subject to licensure by the state education agency and also by a separate higher education agency. Some states assert jurisdiction over online educational institutions that offer educational services to residents in the state or that advertise or recruit in the state, notwithstanding the lack of a physical location in the state. State laws may establish standards for instruction, qualifications of faculty, location and nature of facilities, financial policies, marketing and recruiting activities and other operational matters. State laws and regulations may limit our ability to obtain authorization to operate in certain states or to award degrees or diplomas or offer new degree programs. Certain states prescribe standards of financial responsibility and other operating standards that are different from those prescribed by the U.S. Department of Education. If we are found not to be in compliance with an applicable state regulation and a state seeks to restrict one or more of our business activities within its boundaries, we may not be able to recruit or enroll students in that state and may have to cease providing services and advertising in that state, which could have a material adverse effect on our student enrollment and revenues.

Each of our U.S. schools is accredited by a national or regional accreditation agency recognized by the U.S. Department of Education, and some educational programs are also programmatically accredited. The level of regulatory oversight and standards can vary based on the agency. Accreditation agencies prescribe standards that are different from those prescribed by the U.S. Department of Education.

If a school does not meet its accreditation or state requirements, its accreditation and/or state licensing could be limited, modified, suspended or terminated. Failure to maintain licensure or institutional accreditation makes a school ineligible to participate in Title IV programs. As discussed above under “Program Integrity Regulations,” the U.S. Department of Education has adopted regulations that require institutions to be authorized by a state agency meeting certain requirements in order to be eligible to participate in the Title IV programs. Certain of our schools are located in California (14 schools) and Hawaii (one school), which do not meet these new requirements and have applied for extensions of time to amend their requirements. We cannot predict the extent to which the U.S. Department of Education will determine that the institutional authorization or complaint review process of any state satisfies the U.S. Department of Education’s regulations. If any of our schools were to lose eligibility to participate in Title IV programs because a state’s institutional authorization and complaint process does not satisfy the U.S. Department of Education’s regulations, we would likely be forced to close the school in that state and could be subject to sanctions, including loss of Title IV eligibility and a requirement to repay funds disbursed to students during the period in which the states purportedly lacked state authorization. If the states of California and Hawaii are unable to comply with the new state authorization regulation by June 30, 2013, students at our schools located in those states will be unable to access Title IV program funds, which would have a material adverse effect on our business, financial condition and results of operations.

Certain of the state authorizing agencies and accrediting agencies with jurisdiction over our schools also have requirements that may, in certain instances, limit our ability to open a new school, acquire an existing school, establish an additional location of an existing school or add new educational programs.

Canadian Regulation and Financial Aid

The Art Institute of Vancouver is subject to regulation in the Province of British Columbia and in the provinces in which it recruits students. Depending on their province of residence, our Canadian students may receive loans under the federally funded Canada Student Loan Program and/or provincial funding from their province of residence. Canadian schools must meet eligibility standards to administer these programs and must comply with all relevant statutes, rules, regulations and requirements. We believe that The Art Institute of Vancouver currently holds all necessary registrations, approvals and permits and meets all eligibility requirements to administer these governmental financial aid programs. If The Art Institute of Vancouver cannot meet these and other eligibility standards or fails to comply with applicable requirements, it could have a material adverse effect on our business, results of operations, cash flows or financial condition.

The British Columbia government, through its Ministry of Advanced Education and Labour Market Development, regulates private career colleges through an arms length accreditation and registration body called the Private Career Training Institutions Agency of British Columbia (“PCTIA”) and provides financial assistance to eligible students through the StudentAid BC (“SABC”). The student aid program includes a federal component under the Canada Student Loan Program and a provincial portion administered through the provincial SABC program. In order to maintain the right to administer student assistance, The Art Institute of Vancouver must abide by the rules, regulations and administrative manuals and Memorandum of Agreements with the Canada Student Loan Program and the SABC programs.

Post-secondary institutions located in Vancouver which have a student loan default rate equal to or greater than 28% are subject to review by SABC and may lose eligibility to participate in SABC financial aid programs for at least two years as a result of the review. The compliance staff of SABC work with schools with high default rates to manage and seek solutions for high defaults rates. In 2011, the official default rates for The Art Institute of Vancouver and its branch location were 14.0% and 14.5%, respectively.

Institutions cannot automatically acquire student aid designation through the acquisition of other student aid eligible institutions. In the event of a change of ownership, including a change in controlling interest, the Ministry of Advanced Education and Labour Market Development as well as SABC require evidence that the institution has continued capacity and a formal undertaking to comply with registration and student aid eligibility requirements. Given that the Province of British Columbia and PCTIA periodically revise their respective regulations and other requirements and change their respective interpretations of existing laws and regulations, we cannot assure you that the provincial government and PCTIA will agree with our interpretation of each requirement.

Canadian schools are required to audit their administration of student aid programs annually or as otherwise directed by SABC. We believe that we have complied with these requirements.

Employees

At June 30, 2012, we had approximately 24,700 employees. Of these employees, approximately 13,600 (including approximately 2,900 faculty members) were full time employees and approximately 11,100 (including approximately 11,000 faculty members) were part-time employees.

Competition

The post-secondary education market is highly fragmented and competitive. Our schools compete for students with traditional public and private two-year and four-year colleges and universities and other proprietary providers, including those that offer distance learning programs. Many public and private colleges and universities, as well as other proprietary providers, offer programs similar to those we offer. In particular, we believe the competition for students attending fully online programs has increased over the last several years as more institutions, including public and private institutions, offer degrees to fully online students. Public institutions receive substantial government subsidies, and both public and private institutions have access to government and foundation grants, tax-deductible contributions and other financial resources generally not available to proprietary providers. Accordingly, public and private institutions may have facilities and equipment superior to those in the proprietary sector and often can offer lower effective tuition prices. Some of our competitors in both the public and private sectors also have substantially greater financial and other resources than we do.

Seasonality in Results of Operations

Our quarterly revenues and income fluctuate primarily as a result of the pattern of student enrollments at our schools. Our first fiscal quarter is typically our lowest revenue recognition quarter due to student vacations.

Availability of Reports

We make available financial information, news releases and other information on our Web site at *www.edmc.edu*. Information contained on our Web site is not part of this Form 10-K or our other filings with the Securities and Exchange Commission. There is a direct link from the Web site to our Securities and Exchange Commission filings, where our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge as soon as reasonably practicable after we file such reports and amendments with, or furnish them to, the Securities and Exchange Commission. Investors may also contact Investor Relations at 210 Sixth Avenue, 33rd Floor, Pittsburgh, Pennsylvania 15222 or call (412) 562-0900 to obtain a hard copy of these reports without charge.

ITEM 1A. RISK FACTORS

The following risks comprise all the material risks of which we are aware; however, these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business or financial performance. If any of the events or developments described below actually occurred, it could have a material adverse effect on our business, financial condition or results of operations.

RISKS RELATED TO OUR HIGHLY REGULATED INDUSTRY

Increased scrutiny of post-secondary education providers by Congress, state Attorneys General and various governmental agencies may lead to increased regulatory burdens and costs.

We and other proprietary post-secondary education providers have been subject to increased regulatory scrutiny and litigation in recent years. State Attorneys General, the U. S. Department of Education, members and committees of Congress and other parties have increasingly focused on allegations of improper recruiter compensation practices and deceptive marketing practices, among other issues. For example, on July 30, 2012, Senator Tom Harkin, Chairman of the HELP Committee, and the majority staff of the HELP Committee issued a report, "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success." While stating that proprietary colleges and universities have an important role to play in higher education and should be well-equipped to meet the needs of non-traditional students who now constitute the majority of the postsecondary educational population, the majority staff report was highly critical of these institutions. The report contended that these institutions have a high cost of attendance, engage in aggressive and deceptive recruiting, have high drop-out rates, provide insufficient student support services, and are responsible for high levels of student debt and loan defaults, among other things. The report called for increased disclosure of information about student outcomes at proprietary colleges and universities, prohibiting institutions from using federal financial aid funding to market, advertise and recruit, amending the 90/10 Rule to require these institutions from receiving more than 85% of their revenues from federal funds, prohibiting the use of mandatory binding arbitration clauses in enrollment agreements, and other measures ostensibly to protect students and taxpayers.

Additionally, a number of state Attorneys General have launched investigations into proprietary post-secondary education institutions, including some of our schools. We received subpoenas or requests for documents from the Attorneys General of Florida, Kentucky and New York in October 2010, December 2010 and August 2011, respectively, and the San Francisco, CA City Attorney in December 2011 in connection with investigations of our institutions and their business practices. We have nine schools located in Florida, three schools located in Kentucky and one school located in New York. In July 2011, the Attorney General of Kentucky announced a national bipartisan effort including 19 states to examine potential abuses in the proprietary education industry. While the initial goal of the joint investigation is sharing information between the Attorneys General about potential violations of consumer protection laws, the Attorney General of Kentucky indicated that the Attorneys General may ultimately attempt to compel proprietary institutions located in their respective jurisdictions to revise their recruiting practices.

We cannot predict the extent to which, or whether, these hearings and investigations will result in legislation, further rulemaking affecting our participation in Title IV programs, or litigation alleging statutory violations, regulatory infractions or common law causes of action. The adoption of any law or regulation that reduces funding for federal student financial aid programs or the ability of our schools or students to participate in these programs would have a material adverse effect on our student population and revenue. Legislative action also may increase our administrative costs and require us to modify our practices in order for our schools to comply fully with applicable requirements. Additionally, actions by state Attorneys General and other governmental agencies could damage our reputation and limit our ability to recruit and enroll students, which would reduce student demand for our programs and adversely impact our revenue and cash flow from operations.

Failure of our schools to comply with extensive regulations could result in monetary liabilities or assessments, restrictions on our operations, limitations on our growth or loss of external financial aid funding for our students, which could materially and adversely affect our business, results of operations, financial condition and cash flows.

A substantial majority of our net revenues are indirectly derived from federal student financial aid programs pursuant to Title IV of the HEA. Our participation in Title IV programs is subject to certification and oversight by the U.S. Department of Education and is further conditioned upon approvals granted by other agencies. Each of our schools also must obtain and maintain approval to enroll students, offer instruction and grant credentials from the state authorizing agency in the state in which the school is located. Such approval is also a precondition to the ability of our students to participate in Title IV programs. Participation in Title IV programs also requires each school to be accredited by an accrediting agency recognized by the U.S. Department of Education as a reliable authority on institutional quality and integrity. Accreditation is, in turn, conditioned upon the maintenance of applicable state authorization. Our schools also must comply with the requirements of state financial aid programs that are available to our students and the requirements of specialized accrediting agencies that oversee educational quality in particular program areas. As a result, our schools are subject to extensive regulation and review by these agencies which cover virtually all phases of our operations. These regulations also affect our ability to acquire or open additional schools, add new educational programs, substantially change existing programs or change our corporate or ownership structure. The agencies that regulate our operations periodically revise their requirements and modify their interpretations of existing requirements. See Item 1 -- "Business," "— Accreditation", "— Student Financial Assistance", "— Federal Oversight of Title IV Programs", " — State Authorization and Accreditation Agencies" and "— Canadian Regulation and Financial Aid" above.

If any of our schools were to violate or fail to meet any of these legal and regulatory requirements, we could suffer monetary liabilities or assessments, limitations on our operating activities, loss of accreditation, limitations on our ability to add new schools or offer new programs, termination of or limitations on the school's ability to grant degrees and certificates, or limitations on or suspension or termination of the school's eligibility to participate in federal student financial aid programs. A significant portion of our students rely on federal student financial aid funds to finance their education. We cannot predict with certainty how all of these requirements will be applied or interpreted by a regulatory body or whether each of our schools will be able to comply with all of the applicable requirements in the future.

The U.S. Department of Education's program integrity regulations could materially and adversely affect our operations, business, results of operations, financial condition and cash flows.

Regulations adopted by the U.S. Department of Education pertaining to certain aspects of the administration of the Title IV programs, including, but not limited to compensation rules for persons engaged in certain aspects of admissions and financial aid, state authorization, determination of attendance and definitions of a "credit hour" and a "substantial misrepresentation" became effective on July 1, 2011. These new regulations, known as the program integrity rules, have had significant impacts on our business. For example, we implemented a new compensation plan for our admissions representatives beginning in the third quarter of fiscal 2011 in response to the revised compensation rules for employees who are engaged in recruiting of students or the awarding of financial aid and revised other practices. In connection with the new compensation plan, we eliminated enrollment results as a component of compensation for our admissions representatives. We believe that these changes to our business practices have negatively affected student recruitment or enrollment due to a decreased productivity from our admissions representative. The new compensation plan for our admissions representatives will result in a decrease to our revenues if we are unable to maintain or increase the number of students enrolled in our schools.

In addition, we cannot predict with certainty how the regulations will be interpreted or whether we and our schools will be able to comply with these requirements in the future. The new regulations may also subject us to *qui tam* lawsuits by private parties for alleged violations of the federal False Claims Act or similar state False Claims Acts. Any such actions by other bodies that affect our programs and operations or lawsuits under the False Claims Act could have a material adverse effect on our student population, our business, financial condition, results of operations and cash flows.

A finding that we violated the U.S. Department of Education's new substantial misrepresentation regulation, which significantly expanded the scope of the regulation, could materially and adversely affect our operations, business, results of operations, financial condition and cash flows.

The new substantial misrepresentation regulation significantly expands what may constitute substantial misrepresentation by an institution, including statements about the nature of its educational programs, its financial charges or the employability of its graduates. Any false, erroneous, or misleading statement that an institution, one of its representatives, or person or entity with whom the institution has an agreement to provide educational programs, marketing, advertising, recruiting or admissions services, makes directly or indirectly to a student, prospective student, any member of the public, an accrediting agency, a state licensing agency or the U.S. Department of Education could be deemed a misrepresentation by the institution. In the event that the U.S. Department of Education determines that an institution engaged in a substantial misrepresentation, it can revoke the institution's program participation agreement, impose limitations on the institution's participation in Title IV programs, deny participation applications on behalf of the institution, or seek to fine, suspend or terminate the institution's participation in Title IV programs. In June 2012, the United States Court of Appeals for the District of Columbia Circuit issued a decision holding, among other things, that portions of the substantial misrepresentation regulation allowing the U.S. Department of Education to revoke the institution's program participation agreement or impose limitations on the institution's participation without affording procedural protections were unlawful and remanding the matter so the Department could revise those portions of the regulation. The new regulation could create an expanded role for the U.S. Department of Education in monitoring and enforcing prohibitions on misrepresentation.

If any of our programs fail to qualify as programs leading to "gainful employment" in a recognized occupation under U.S. Department of Education regulations, students in those programs would be unable to obtain Title IV funds to finance their education and, if student demand for those programs declined significantly, we may determine to cease offering those programs.

In 2011, the U.S. Department of Education promulgated final regulations imposing additional Title IV program eligibility requirements on educational programs, which were scheduled to become effective as of July 1, 2012 and which would have for the first time set forth standards that would be used to measure "preparation for gainful employment" and also require schools to notify the U.S. Department of Education prior to offering additional programs of study. On June 30, 2012, the U.S. District Court for the District of Columbia issued a decision in the case captioned *Association of Private Sector Colleges and Universities v. Duncan* that vacated most of the gainful employment regulations and remanded them to the U.S. Department of Education for further action. The Court's decision is subject to appeal by the U.S. Department of Education and could be modified or reversed on appeal. Moreover, the U.S. Department of Education could take further action to address the Court's concerns regarding the regulations and obtain approval to enforce the regulations, or the U.S. Department of Education could issue new regulations regarding gainful employment. We cannot predict what steps the U.S. Department of Education will take in response to the Court's decision, how long those steps will take, or whether those steps will result in the U.S. Department of Education being able to enforce the gainful employment regulations or issuing new regulations. The gainful employment regulations requiring the disclosure of information to prospective students which became effective as of July 1, 2011 were not impacted by the case. See Item 1 "Business," "— Student Financial Assistance - Program Integrity Regulations - Gainful Employment" above.

Because it is not yet clear how the U.S. Department of Education will respond to the ruling in the *APSCU* case, it is not possible at this time to determine with any degree of certainty when new gainful employment regulations will go into effect, if at all, what their requirements ultimately might be or how our programs and business may be affected. However, in the event that the U.S. Department of Education appeals the *APSCU* case and the decision is overturned, the gainful employment regulations addressing program approvals and minimum standards for student outcomes could become effective. Additionally, the U.S. Department of Education could engage in negotiated rulemaking to address the issues upon which the Court vacated the regulations. Based on draft data published by the U.S. Department of Education in June 2012, a number of our programs would become ineligible to participate in the Title IV programs if the gainful employment regulations were effective in their current form. Under the regulations as previously adopted, the continuing eligibility of our educational programs for Title IV funding would have been at risk due to factors not completely within our control, such as changes in the actual or deemed income level of our graduates, changes in student borrowing levels, increases in interest rates, changes in the federal poverty income level relevant for calculating discretionary income, changes in the percentage of our former students who are current in repayment of their student loans, and other factors. Further, even though deficiencies in the metrics may be correctable on a timely basis, the disclosure requirements to students following a failure to meet the standards as previously proposed may adversely impact enrollment in that program and may adversely impact the reputation of our educational institutions. We have implemented a number of initiatives to respond to the gainful employment rules, such as shorter programs and lowering the costs associated with a number of our programs. However, assuming that the regulations ultimately go into effect and depending upon their terms as ultimately adopted, certain of our programs may be unable to maintain eligibility to enroll students receiving Title IV funds or have restrictions placed upon program offerings as a result of not meeting prescribed metrics. To the extent that our new programmatic offerings do not offset the loss of any of our current programs which do not satisfy one of the three metrics under the new gainful employment regulation, the loss of students or restrictions to program eligibility could have a material adverse effect on our student population, business, financial condition, results of operations and cash flows.

If we fail to obtain periodic recertifications for our schools to participate in Title IV programs, or if our certifications are withdrawn by the U.S. Department of Education prior to the next scheduled recertification, students at the affected schools would no longer be able to receive Title IV program funds.

Our institutions are required to seek recertifications from the U.S. Department of Education upon expiration of their provisional certifications, which occur approximately every three years in order to participate in Title IV programs due to their provisional certification status. The current provisional certifications of our institutions expire as follows: three institutions are currently under review; one expires during fiscal 2013; two expire in 2014; and twelve expire in fiscal 2015. The U.S. Department of Education will also review our schools' continued certifications in the event that we undergo a change of ownership and control pursuant to U.S. Department of Education regulations. In addition, the U.S. Department of Education may take emergency action to suspend any of our schools' certification without advance notice if it receives reliable information that a school is violating Title IV requirements and determines that immediate action is necessary to prevent misuse of Title IV funds. The U.S. Department of Education also may conduct periodic announced and unannounced audits, reviews and investigations of our institutions. During fiscal 2012, three of our institutions were the subject of U.S. Department of Education program reviews as compared to five such reviews in fiscal 2011. We received final reports from the U.S.

Department of Education for three program reviews in fiscal 2012, including two program reviews performed in fiscal 2011, and have not received a final report for two of the program reviews performed in fiscal 2012 and on program review performed in fiscal 2011. If the U.S. Department of Education were to decide not to renew or to withdraw our certification to participate in Title IV programs at any time, our students no longer would be able to receive Title IV program funds, which would have a material adverse effect on our enrollments, revenues, results of operations and cash flows.

Congress may change eligibility standards or reduce funding for federal student financial aid programs, or other governmental or regulatory bodies may change similar laws or regulations relating to other student financial aid programs, which could reduce our student population, revenue and cash flows.

Political and budgetary concerns can significantly affect Title IV programs and other laws and regulations governing federal and state student financial aid programs. Title IV programs are made available pursuant to the provisions of the HEA, and the HEA must be reauthorized by Congress approximately every six years. Independent of reauthorization, Congress must annually appropriate funds for Title IV programs. In August 2008, the most recent reauthorization of the HEA was enacted, continuing the Title IV HEA programs through at least September 30, 2014. On December 23, 2011, President Obama signed into law the Consolidated Appropriations Act, 2012 (Public Law 112-74) (the “Appropriations Act”). The new law significantly impacts the federal student aid programs authorized under the HEA as follows:

- Reduced the income threshold for an automatic zero “expected family contribution” to $23,000 for the 2012-2013 award year for both dependent and independent students. The threshold for 2012-2013 was scheduled to be $32,000, but now will be $23,000. For students whose families make between $23,000 and $32,000 per year, this will decrease the amount of Pell grants such students will receive; and
- Reduced the duration of a student's eligibility to receive a federal Pell Grant from 18 semesters (or its equivalent) to twelve semesters and the number of full-time academic quarters decreased from 27 to 18. This provision applies to all federal Pell Grant eligible students effective with the 2012-13 award year. This may eliminate the ability of some of our students to continue to receive Pell Grants, depending on their prior receipt of Pell Grants from our institutions and from other institutions prior to enrolling in our schools.

Future reauthorizations or appropriations may result in numerous legislative changes, including those that could adversely affect our ability to participate in the Title IV programs and the availability of Title IV and non-Title IV funding sources for our students. Congress also may impose certain requirements upon the state or accrediting agencies with respect to their approval of our schools. Any action by Congress or the U.S. Department of Education that significantly reduces funding for the federal student financial aid programs or the ability of our schools or students to participate in these programs would have a material adverse effect on our student population and revenue. Legislative action also may increase our administrative costs and require us to modify our practices in order for our institutions to comply fully with applicable requirements.

If we do not meet specific financial responsibility ratios and other compliance tests established by the U.S. Department of Education, our institutions may lose eligibility to participate in federal student financial aid programs, which may result in a reduction in our student enrollment and an adverse effect on our results of operations and cash flows.

To participate in federal student financial aid programs, an institution, among other things, must either satisfy certain quantitative standards of financial responsibility on an annual basis or post a letter of credit in favor of the U.S. Department of Education and possibly accept other conditions or limitations on its participation in the federal student financial aid programs. As of June 30, 2012, we did not meet the required quantitative measures of financial responsibility on a consolidated basis due to the amount of indebtedness we incurred and goodwill we recorded in connection with the Transaction. Accordingly, we are required by the U.S. Department of Education to post a letter of credit and are subject to provisional certification and additional financial and cash monitoring of our disbursements of Title IV funds. The amount of the letter of credit is currently set at 15% of the Title IV program funds received by students at our institutions during fiscal 2011, or $414.5 million. We expect to be required to renew the letter of credit at the 15% level for as long as our schools remain provisionally certified, although the U.S. Department of Education could increase the amount substantially. Outstanding letters of credit reduce the availability under our revolving credit facility, except to the extent that we obtain cash secured letters of credit, which we are permitted to do under our senior credit facility. In fiscal 2012, we obtained cash secured letters of credit from two lenders in the aggregate amount of $200.0 million in order to satisfy a portion of our letter of credit obligation to the U.S. Department of Education and obtained a letter of credit under our revolving credit facility for the remainder. However, in the future we may not have sufficient letter of credit capacity to satisfy the letter of credit requirement for the U.S. Department of Education, which would limit our growth and potentially subject us to operating restrictions.

We expect to continue to not satisfy the U.S. Department of Education’s quantitative measure of financial responsibility for the foreseeable future. As a result, we expect each of our institutions to be required to continue on provisional certification for additional three-year periods. While provisional certification does not by itself limit an institution's access to Title IV program funds, it does subject our institutions to closer review by the U.S. Department of Education and possible summary adverse action if one of our institutions commits a material violation of Title IV program requirements. Additionally, the U.S. Department of Education has placed our institutions on heightened cash monitoring Level 1 due to the provisional certification and has included a requirement in some of our program participation agreements that we obtain their approval prior to offering new programs at our institutions. We anticipate that future renewals of our institutions' provisional certifications will result in continuation of the requirement that we maintain a letter of credit, provisional certification and financial and cash monitoring in future years. Any conditions or limitations on our participation in the federal student financial aid programs in addition to the letter of credit, provisional certification and additional financial and heightened cash monitoring could adversely affect our revenues and cash flows. There can be no assurance that the U.S. Department of Education will not require further restrictions as a condition of the renewal of our certification and that such additional restrictions will not materially and adversely impact our revenues and cash flows.

In the event of a bankruptcy filing by any of our schools, the schools filing for bankruptcy would not be eligible to receive Title IV program funds, notwithstanding the automatic stay provisions of federal bankruptcy law, which would make any reorganization difficult to implement. In addition, our other schools may be held to be jointly responsible for financial aid defaults experienced at the bankrupt schools.

If we do not meet specific cohort default rate benchmarks established by the U.S. Department of Education, our institutions may lose eligibility to participate in federal student financial aid programs, which may result in a reduction in our student enrollment and an adverse effect on our student population, results of operations and cash flows.

Under the HEA, an institution may lose its eligibility to participate in certain Title IV programs if the rates at which the institution's students default on their federal student loans exceed specified percentages, and these rates are expected to increase under recent changes to the calculation of cohort default rates under the HEA. See "Business – Federal Oversight of Title IV Programs – Cohort Default Rates." Certain of our institutions have default rates in excess of specified rates in the Federal Perkins Loan Program, which is not a material federal student aid program for us or any of our institutions. Though we believe our institutions do not exceed either the specified rates for student default for our material programs or the percentage of revenue limitation test, loss of eligibility to participate in the federal student financial aid programs by one or more of our schools could have a material adverse effect on our student population, results of operations and cash flows. Because we have not disbursed Perkins loans at many of our institutions during the past few years, it is possible that the U. S. Department of Education may not permit those institutions to participate in the Perkins program in the future.

Moreover, the consumer credit markets in the United States have recently suffered from increases in default rates and foreclosures on mortgages. Providers of federally guaranteed student loans have also experienced recent increases in default rates. Any increase in interest rates could contribute to higher default rates with respect to repayment of our students' education loans. Such higher default rates may adversely impact our eligibility to participate in Title IV programs, which could result in a significant reduction in our student population, profitability and cash flows.

If any of our institutions either fails to demonstrate "administrative capability" to the U.S. Department of Education or violates other requirements of Title IV programs, the U.S. Department of Education may impose sanctions or terminate that school's participation in Title IV programs.

Regulations adopted by the U.S. Department of Education specify criteria an institution must satisfy to establish that it has the requisite "administrative capability" to participate in Title IV programs. These criteria require, among other things, that the institution:

- comply with all applicable federal student financial aid regulations;
- have capable and sufficient personnel to administer the federal student financial aid programs;
- have acceptable methods of defining and measuring the satisfactory academic progress of its students;
- provide financial aid counseling to its students; and
- submit all reports and financial statements required by the regulations.

If an institution fails to satisfy any of these criteria, or any other of the legal and regulatory requirements of Title IV programs, the U.S. Department of Education may:

- require the repayment of federal student financial aid funds improperly disbursed;
- transfer the institution from the "advance" system of payment of federal student financial aid funds to the "reimbursement" system of payment or "cash monitoring";
- place the institution on provisional certification status; or

- commence a proceeding to impose a fine or to limit, suspend or terminate the participation of the institution in Title IV programs.

If one or more of our institutions loses or is limited in its access to, or is required to repay, federal student financial aid funds due to a failure to demonstrate administrative capability or to comply with other requirements of Title IV programs, our business could be materially adversely affected.

If our institutions do not comply with the 90/10 Rule, they will lose eligibility to participate in federal student financial aid programs.

A provision of the HEA requires all proprietary education institutions to comply with what is commonly referred to as the 90/10 Rule, which imposes sanctions on participating institutions that derive more than 90% of their total revenue on a cash accounting basis from Title IV programs as calculated under the regulations. An institution that derives more than 90% of its total revenue on a cash accounting basis from the Title IV programs for each of two consecutive fiscal years loses its eligibility to participate in Title IV programs and is not permitted to reapply for eligibility until the end of the following two fiscal years. Institutions which fail to satisfy the 90/10 Rule for one fiscal year are placed on provisional certification. Compliance with the 90/10 Rule is measured at the end of each of our fiscal years. For our institutions that disbursed federal financial aid during fiscal 2012, the percentage of revenues derived from Title IV programs ranged from approximately 56% to 86%, with a weighted average of approximately 79% as compared to a weighted average of approximately 78% in fiscal 2011. Continued decreases in the availability of state grants, together with the inability of households to pay cash due to the current economic climate and decreased availability of private loans, have adversely impacted our ability to comply with the 90/10 Rule because state grants generally are considered cash payments for purposes of the 90/10 Rule.

During fiscal 2012, students attending our schools received approximately $164 million of financial aid from the U.S. Department of Veterans Affairs and the U.S. Department of Defense. Some members of Congress have proposed substantially decreasing the amount of education benefits available to veterans and the budget for the U.S. Department of Defense in connection with the current federal budget issues. Further, a bill has been introduced in the U.S. Senate that would revised the 90/10 Rule to no longer treat financial aid from the U.S. Department of Veteran Affairs and U.S. Department of Defense as cash payments for purposes of the rule and prohibit institutions from participating in Title IV programs for one year if they derive more than 90% of their total revenue on a cash accounting basis from the Title IV programs in a single fiscal year rather than the current rule of two consecutive fiscal years. In May 2012, attorneys general from 21 states and a chief consumer-affairs official for another state sent a letter to the leaders of the House and Senate education and veterans-affairs committees requesting that they revise the 90/10 Rule so that GI Bill and other educational benefits for military veterans count toward the 90-percent cap on the amount of annual revenue a proprietary college may receive from federal student-aid programs. These proposed revisions to the 90/10 Rule would have a negative impact on our ability to comply with the 90/10 Rule if they are approved by Congress and the President and become law. If any of our institutions violates the 90/10 Rule, its ineligibility to participate in Title IV programs would have a material adverse effect on our enrollments, revenues, results of operations and cash flows.

Our failure to comply with various state regulations or to maintain any national, regional or programmatic accreditation could result in actions taken by those states or accrediting agencies that would have a material adverse effect on our student enrollment, results of operations and cash flows.

Each of our U.S. campuses, including our campuses that provide online programs, is authorized to offer education programs and grant degrees or diplomas by the state in which such school is physically located. The level of regulatory oversight varies substantially from state to state. In some U.S. states, the schools are subject to licensure by the state education agency and also by a separate higher education agency. Some states have sought to assert jurisdiction over online educational institutions that offer educational services to residents in the state or that advertise or recruit in the state, notwithstanding the lack of a physical location in the state. State laws may establish standards for instruction, qualifications of faculty, location and nature of facilities, financial policies and responsibility and other operational matters. State laws and regulations may limit our ability to obtain authorization to operate in certain states or to award degrees or diplomas or offer new degree programs. Certain states prescribe standards of financial responsibility that are different from those prescribed by the U.S. Department of Education. In addition, each of our U.S. schools is accredited by a national or regional accreditation agency recognized by the U.S. Department of Education, and some educational programs are also programmatically accredited. The level of regulatory oversight and standards can vary based on the agency. Certain accreditation agencies prescribe standards that are different from those prescribed by the U.S. Department of Education. If we are found not to be in compliance with an applicable state regulation and a state seeks to restrict one or more of our business activities within its boundaries, we may not be able to recruit or enroll students in that state and may have to cease providing services and advertising in that state, which could have a material adverse effect on our student enrollment, revenues and cash flows.

If one of our schools does not meet its accreditation or applicable state requirements, its accreditation and/or state licensing could be limited, modified, suspended or terminated. Failure to maintain licensure in the state where it is physically located or institutional accreditation would make such school ineligible to participate in Title IV programs, which could have a material adverse effect on our student enrollment and revenues. Further, requirements for programs offered by our schools that are accredited by national accrediting agencies with respect to retention rates, graduation rates and employment placement rates may be more difficult to satisfy due to the current economic recession in the U.S. A number of our institutions have specialized programmatic accreditation for particular education programs. While these programmatic accreditations cannot be relied upon for our schools to obtain and maintain certification to participate in Title IV programs, they are commonly relied upon in the relevant professions as indicators of quality of the academic program. If programmatic accreditation is withdrawn or fails to be renewed for any of the individual programs at any of our schools, enrollment in such program could decline, which could have a material adverse impact on student enrollment and revenues at that school.

Under the HEA, an institution must be authorized by each state in which it is located to participate in Title IV programs. The U.S. Department of Education historically has determined that an institution is licensed or otherwise authorized in order to be certified as eligible to participate in Title IV programs if the institution's state does not require the institution to obtain licensure or authorization to operate in the state. The new state authorization regulations establish specific new federal requirements with respect to whether or not a state's authorization of an educational institution is sufficient for that institution to participate in Title IV programs. The U.S. Department of Education stated at the time it published the final regulation that it recognized that a state might be unable to provide appropriate state authorizations to its institutions by the July 1, 2011 effective date of the regulation and that institutions unable to obtain state authorization in that state may request a one-year extension of the effective date of the regulations to July 1, 2012 (and, if necessary, an additional one year extension of the effective date to July 1, 2013). The U.S. Department of Education stated that, to receive an extension of the effective date, an institution would have to obtain from the state an explanation of how a one-year extension would permit the state to modify its procedures to comply with the regulations. The U.S. Department of Education issued additional guidance stating that institutions should not submit requests for extension to the Department, but rather must obtain from the state a written explanation of how the extension would permit the state to modify its procedures and must obtain further explanation if an extension is needed until July 1, 2013. As of June 30, 2012, we believe that all of our campuses were physically located in states that satisfied the U.S. Department of Education's final rules regarding state authorization except for our schools located in California (14 schools) and Hawaii (one school). Our California and Hawaii schools have requested their second of two permitted one-year extensions from the U.S. Department of Education to allow these states additional time to comply with the new regulations. If the U.S. Department of Education rejected the basis for the extensions, the affected schools could be deemed to have lacked state authorization and subject to sanctions, including loss of Title IV eligibility and a requirement to repay funds disbursed to students during the period in which the schools purportedly lacked state authorization. If the states of California and Hawaii are unable to comply with the new state authorization regulation by June 30, 2013, students at our schools located in those states will be unable to access Title IV program funds, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

National or regional accreditation agencies may prescribe more rigorous accreditation standards on our schools, which could have a material adverse effect on our student enrollment, revenues and cash flows.

Participation in Title IV programs requires that each of our U.S. schools be accredited by an accrediting agency recognized by the U.S. Department of Education as a reliable authority on institutional quality and integrity. The accreditation standards of the national or regional accreditation agencies that accredit our schools can and do vary, and the accreditation agencies may prescribe more rigorous standards than are currently in place.

Complying with more rigorous accreditation standards could require significant changes to the way we operate our business and increase our administrative and other costs. No assurances can be given that our schools will be able to comply with more rigorous accreditation standards in a timely manner or at all. If one of our schools does not meet its accreditation requirements, its accreditation could be limited, modified, suspended or terminated. Failure to maintain accreditation would make such school ineligible to participate in Title IV programs, which could have a material adverse effect on our student enrollment and revenues.

Further, requirements for programs offered by our schools that are accredited by national accrediting agencies with respect to retention rates, graduation rates and employment placement rates may be more difficult to satisfy if more rigorous standards are adopted. If programmatic accreditation is withdrawn or fails to be renewed for any of the individual programs at any of our schools, enrollment in such program could decline, which could have a material adverse impact on student enrollment, revenues and cash flows at that school.

Loss of or reductions in state financial aid programs for our students could negatively impact our revenues from students.

In fiscal 2012, approximately 2% of our net revenues were indirectly derived from state financial aid programs. State grant programs are generally subject to annual appropriation by the state legislature, which may lead to the state's eliminating or significantly decreasing the amount of state aid to students at our schools. Recently several states in which we have schools have substantially decreased or eliminated the amount of grants available to students who attend proprietary post secondary institutions.

For example, California adopted more stringent eligibility requirements for institutions to participate in the Cal State Grant Program effective July 1, 2012 which require institutions to have a Three-Year CDR of less than 15.5% and a first-time, full-time freshman graduation rate of at least 30%. Students attending campuses of Argosy University located in California received approximately $17 million of grants under this program in fiscal 2012. While we believe that all the Argosy University campuses should qualify to participate in the Cal State Grant Program in fiscal 2013, no assurances can be given with respect to awards under the program due to the recent nature of the legislation, the recent merger of the California Art Institute schools to Argosy University and the fact that the new eligibility standards are subject to interpretation by the California Student Aid Commission. The loss of access to state grants by a significant number of students attending our schools, including students attending the California campuses of Argosy University, could have a material adverse impact on our student enrollment, net revenues and cash flows from operations. The loss of state financial aid could also have an adverse impact on our ability to comply with the 90/10 Rule and result in increased student borrowing.

If regulators do not approve transactions involving a change of control or change in our corporate structure, we may lose our ability to participate in federal student financial aid programs, which would result in declines in our student enrollment, and thereby adversely affect our results of operations and cash flows.

If we or one of our institutions experiences a change of ownership or control under the standards of applicable state agencies, accrediting agencies or the U.S. Department of Education, we or the schools governed by such agencies must seek the approval of the relevant agencies. Transactions or events that could constitute a change of control include significant acquisitions or dispositions of shares of our stock, internal restructurings, acquisition of schools from other owners, significant changes in the composition of an institution's board of directors or certain other transactions or events, several of which are beyond our control. The failure of any of our institutions to reestablish its state authorization, accreditation or U.S. Department of Education certification following a transaction involving a change of ownership or control would result in a suspension of operating authority or suspension or loss of federal student financial aid funding, which could have a material adverse effect on our student population and revenue. Further, such a change of ownership or control could result in the imposition of growth restrictions on our institutions, including limitations on our ability to open new campuses or initiate new educational programs. Restrictions on growth such as these could have a material adverse impact on our student population and revenue and future growth plans. The potential adverse effects of a change of control also could influence future decisions by us and our shareholders regarding the sale, purchase, transfer, issuance or redemption of our stock, which could discourage bids for your shares of our common stock and could have an adverse effect on the market price of your shares.

We currently are subject to lawsuits filed under the federal False Claims Act, and in the future, government and regulatory and accrediting agencies may conduct compliance reviews, bring claims or initiate other litigation against us, which may adversely impact our licensing or accreditation status, or Title IV eligibility, and thereby adversely affect our results of operations and cash flows.

From time to time, we may be subject to program reviews, audits, investigations, claims of non-compliance or lawsuits by governmental or accrediting agencies or third parties, which may allege statutory violations, regulatory infractions or common law causes of action. For example, we are the subject of two *qui tam* actions filed under the federal False Claims Act, as discussed below in Item 3, "Legal Proceedings." In the *Washington* case, the U.S. Department of Justice and five states have intervened under their respective False Claims Acts related to our compliance with the U.S. Department of Education's prior incentive compensation rule. The *Sobek* case alleges that we violated the U.S. Department of Education's substantial misrepresentation regulation and did not properly track student academic progress. In both cases, the relators seek to recover treble the amount of actual damages allegedly sustained by the federal government as a result of the alleged activity, plus civil monetary damages. Consequently, while we believe these claims are without merit and intend to vigorously defend ourselves, an outcome adverse to us could result in a substantial judgment against the Company that could have a materially adverse effect on our financial condition. See Item 3, "Legal Proceedings" below.

We also are the subject of a subpoena from the Office of Inspector General of the U.S. Department of Education requesting documents related to satisfactory academic progress standards and state licensing of fully online programs offered by South University and The Art Institute of Pittsburgh. During fiscal 2012, three of our institutions were the subject of U.S. Department of Education program reviews as compared to five such reviews in fiscal 2011. We received final reports from the U.S. Department of Education for three program reviews in fiscal 2011, including two program reviews performed in fiscal 2011, and have not received a final report for two of the program reviews performed in fiscal 2012 and one program review performed in fiscal 2011. The U.S. Department of Education may also take emergency action to suspend any of our schools' certification without advance notice if it receives reliable information that a school is violating Title IV requirements and determines that immediate action is necessary to prevent misuse of Title IV funds.

If the results of any such proceedings are unfavorable to us, we may lose or have limitations imposed on our accreditation, state licensing, state grant or Title IV program participation, be required to pay monetary damages or be subject to fines, penalties, injunctions or other censure that could materially and adversely affect our business. We also may be limited in our ability to open new schools or add new program offerings and may be adversely impacted by the negative publicity surrounding an investigation or lawsuit. Even if we adequately address the issues raised by an agency review or investigation or successfully defend a third-party lawsuit, we may suffer interruptions in cash flows due to, among other things, transfer from the advance funding to the "reimbursement" or "heightened cash monitoring" method of Title IV program funding, and we may have to devote significant money and management resources to address these issues, which could harm our business. Additionally, we may experience adverse collateral consequences, including declines in the number of students enrolling at our schools and the willingness of third parties to deal with us or our schools, as a result of any negative publicity associated with such reviews, claims or litigation.

Our regulatory environment and our reputation may be negatively influenced by the actions of other post-secondary education institutions and the current media environment.

In recent years, there have been a number of regulatory investigations and civil litigation matters targeting post-secondary education institution, including the HELP Committee hearings on the proprietary education sector during 2010 and 2011 and the resulting report issued by the majority staff of the HELP Committee on July 30, 2012, under the direction of Senator Tom Harkin, its Chairman. In addition, a number of State Attorneys General have launched investigations into post-secondary institutions, including some of our schools. Private parties have recently filed a number of significant lawsuits against post-secondary institutions alleging wrongdoing, including the misstatement of graduate job placement rates. The HELP Committee hearings, along with other recent investigations and lawsuits, have included allegation of, among other things, deceptive trade practices, false claims against the United States and non-compliance with state and U.S. Department of Education regulations. These allegations have attracted significant adverse media coverage. The intervention by the U.S. Department of Justice and five states in a *qui tam* case involving our alleged violation of the U.S. Department of Education's prior incentive compensation rules has also drawn significant media attention. Allegations against the post-secondary education sectors may impact general public perceptions of educational institutions, including us, in a negative manner. Adverse media coverage regarding other educational institutions or regarding us directly could damage our reputation, reduce student demand for our programs, adversely impact our net revenues, cash flows and operating profit or result in increased regulatory scrutiny.

RISKS RELATED TO OUR BUSINESS

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and expose us to interest rate risk to the extent of our variable rate debt.

The following chart shows our level of consolidated indebtedness at June 30, 2012 (in millions):

Revolving credit facility, repaid on July 2, 2012	$	111.3
Senior secured term loan facility, due in June 2016		744.5
Senior secured term loan facility, due in March 2018, net of $3.5 million discount		345.5
Senior notes due in June 2014		375.0
Other		0.5
Total	$	1,576.8

Our high degree of leverage could have important consequences, including:

- making it more difficult for us to make payments on our indebtedness;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flows from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flows to fund our operations, capital expenditures, payment of any settlements or judgments in connection with our litigation and future business opportunities;
- increasing the likelihood of our not satisfying, on a consolidated basis, the U.S. Department of Education's annual

financial responsibility requirements and subjecting us to letter of credit and provisional certification requirements for the foreseeable future;

- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit facilities, will bear interest at variable rates;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, program development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

In addition, we and our subsidiaries may incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit facilities and the indenture governing the Senior Notes. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

We may not be able to generate sufficient cash to service all of our debt obligations and may be forced to take other actions in an effort to satisfy our obligations under such indebtedness, which may not be successful.

Our ability to make scheduled payments on our indebtedness, or to refinance our obligations under our debt agreements on acceptable terms, if at all, will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to the financial and business risk factors described in this Form 10-K, many of which are beyond our control. We cannot assure you that we will be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay the opening of new schools, acquisitions or capital expenditures, sell assets, seek to obtain additional equity capital or restructure our indebtedness. We also cannot assure you that we will be able to refinance any of our indebtedness or obtain additional financing on acceptable terms, if at all, particularly because of our high levels of debt and the debt incurrence restrictions imposed by the agreements governing our debt and, in any event, to the extent that we do refinance any portion of our debt, that refinanced debt is likely to be subject to higher interest rates and fees than our existing debt.

Our debt agreements contain restrictions that limit our flexibility in operating our business, and our risk of failing to satisfy one or more of the financial covenants under our debt agreements is greater in light of upcoming changes to those covenants and our recent and projected results of operations.

Our senior secured credit facilities and the indenture governing our Senior Notes contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit certain of our subsidiaries' ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on, repurchase or make distributions in respect of capital stock or make other restricted payments;
- make certain investments, including capital expenditures;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with affiliates.

In addition, under its senior secured credit facilities, our subsidiary, Education Management LLC, is required to satisfy a maximum total leverage ratio, a minimum interest coverage ratio and other financial conditions tests. As of June 30, 2012, it was in compliance with the financial and non-financial covenants. However, its continued ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that it will meet those ratios and tests in the future. Furthermore, on September 30, 2012, the Consolidated Total Debt to Adjusted EBITDA ratio will decrease from 4.00x to 3.50x and the minimum interest coverage ratio will increase from 2.50:1 to 2.75:1, which will make it more difficult for us to comply with these covenants in the future.

A breach of any of these covenants could result in a default under the senior secured credit agreement. Upon the occurrence of an event of default under the senior secured credit agreement, the lenders could elect to declare all amounts outstanding under the senior secured credit agreement immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under the senior secured credit facilities could proceed against the collateral granted to them to secure that indebtedness. Certain of our subsidiaries have pledged a significant portion of our assets as collateral under the senior secured credit agreement. If the lenders accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay our indebtedness under our senior secured credit facilities, as well as our unsecured indebtedness.

Our business could be adversely impacted by additional legislation and regulations addressing student loans due to the reliance of students attending our schools on loans to pay tuition and fees.

The Dodd-Frank Wall Street and Consumer Protection Act of 2010 mandated that the U.S. Consumer Financial Protection Bureau ("CFPB") and the U.S. Department of Education conduct a detailed study to determine where there might be consumer protection gaps in the private student loan market. On July 19, 2012, the CFPB and the U.S. Department of Education issued a report describing what they characterized as risky practices in the private student loan market over the past ten years, among other things. According to the CFPB's estimates, outstanding student loan debt in the United States exceeded $1 trillion in 2011, with an estimated $864 billion of federal student debt and $150 billion of private student loan debt. The report found that private student loans are riskier than federally guaranteed student loans, the growth in student loans is due in part to lax underwriting standards engaged in by lenders and student borrowers are increasingly financially trapped by their inability to repay their loans. In addition, the CFPB is currently investigating the lending practices at two of our competitors in the proprietary education industry for the purposes of determining whether they engaged in unlawful acts or practices relating to the advertising, marketing, or origination of private student loans.

The extent to which we extend credit to our students has increased over the last several years due to decreases in availability of private loans for students. We extend credit to students to help fund the difference between our total tuition and fees and the amount covered by other sources, including amounts awarded under Title IV programs, private loans obtained by students, and cash payments by students. Beginning in fiscal 2011, we extended the repayment period for some of the financing we make available to students to include periods of up to 36 months beyond graduation. Additional regulations adopted by the CFPB or the U.S. Department of Education restricting our student lending activity or lending activity by third parties could have a material adverse impact on our results of operations and cash flows due to our reliance on internal and third party lending programs.

If our students were unable to obtain private loans from third party lenders, our business could be adversely affected.

The education finance industry has been experiencing and may continue to experience problems that have resulted in fewer overall financing options for some of our students. Factors that could impact the general availability of loans to our students include:

- changes in overall economic conditions or overall uncertainty or disruption in capital markets, in either case causing lenders to cease making student loans, limit the volume or types of loans made or impose more stringent eligibility or underwriting standards;
- the financial condition and continued financial viability of student loan providers;
- changes in applicable laws or regulations, such as provisions of the recently-enacted HEA reauthorization that impose new disclosure and certification requirements with respect to private educational loans, that could have the effect of reducing the availability of education financing, including as a result of any lenders choosing to provide fewer loans or to stop providing loans altogether in light of increased regulation, or which could increase the costs of student loans; and
- determinations by lenders to reduce the number of loans, or to cease making loans altogether, to students attending or planning to attend certain types of schools, particularly proprietary institutions.

During fiscal 2012, revenues derived indirectly from private loans to students at our institutions represented approximately 2.6% of our net revenues, as compared to approximately 3.2% and 4.5% (excluding loans under our former Education Finance Loan program) of our net revenues in fiscal 2011 and 2010, respectively. These loans are provided pursuant to private loan programs and are made available to eligible students at our schools to fund a portion of the students' costs of education not covered by federal and state financial aid grants due to increases in tuition and the cost of living. Private loans are made to our students by institutions and are non-recourse to us and our schools. Approximately 80% of the private loans in fiscal 2012 were offered and serviced by two lenders, one of which no longer offers loans to students attending our schools. During the last three fiscal years, adverse market conditions for consumer student loans have resulted in providers of private loans reducing the attractiveness and/or decreasing the availability of private loans to post-secondary students, including students with low credit scores who would not otherwise be eligible for credit-based private loans. We also terminated our Education Finance Loan program during fiscal 2011, which represented approximately 0.5% and 2.6% of our net revenues in fiscal 2011 and 2010, respectively. The Education Finance Loan program enabled students who had exhausted all available government-sponsored or other aid and had been denied a private loan to borrow a portion of their tuition and other educational expenses at our schools not covered by other financial aid sources if they or a co-borrower met certain eligibility and underwriting criteria.

The consumer credit markets in the United States have recently suffered from increases in default rates and foreclosures on mortgages, as a result of which, fewer lenders are making student loans. Providers of federally guaranteed student loans and alternative or private student loans have also experienced recent increases in default rates. Adverse market conditions for consumer loans have resulted in providers of private loans reducing the attractiveness and/or decreasing the availability of private loans to post-secondary students, including students with low credit scores who would not otherwise be eligible for credit-based private loans. Prospective students may find that these increased financing costs make borrowing prohibitively expensive and abandon or delay enrollment in post-secondary education programs. Certain private lenders have also required that we pay them new or increased fees in order to provide private loans to prospective students.

While we are taking steps to address the private loan needs of our students, the inability of our students to finance their education could cause our student population to decrease, which could have a material adverse effect on our financial condition, results of operations and cash flows.

The continued disruptions in the credit and equity markets worldwide may impede or prevent our access to the capital markets for additional funding to expand or operate our business and may affect the availability or cost of borrowing under our existing credit facilities.

The credit and equity markets of both mature and developing economies have experienced extraordinary volatility, asset erosion and uncertainty during the last two years leading to governmental intervention in the banking sector in the United States and abroad on an unprecedented scale. Until these market disruptions diminish, we may not be able to access the capital markets to obtain funding needed to refinance our existing indebtedness or expand our business. In addition, changes in the capital or other legal requirements applicable to commercial lenders may affect the availability or increase the cost of borrowing under our senior secured credit facilities. If we cannot refinance or repay in full our 8 $^{3}/_{4}$% senior notes due 2014 (the “Senior Notes”) prior to March 2014, the outstanding term loans under the senior credit facility will become due and payable at that time. At June 30, 2012, the long-term portion of our outstanding term loans was $1.1 billion. If we are unable to obtain needed capital on terms acceptable to us, we may have to limit our growth initiatives or take other actions that materially adversely affect our business, financial condition, results of operations and cash flows

Our business has been and may in the future be adversely affected by a general economic slowdown or recession in the U.S. or abroad.

The U.S. and other industrialized countries currently are experiencing reduced economic activity, increased unemployment, substantial uncertainty about their financial services markets and, in some cases, economic recession. In addition, homeowners in the United States have experienced a significant reduction in wealth due to the decline in residential real estate values across much of the country. We believe that these events negatively impacted our results in fiscal 2012 and may continue to reduce the demand for our programs among students in the future, which could materially and adversely affect our business, financial condition, results of operations and cash flows. These adverse economic developments also may result in a reduction in the number of jobs available to our graduates and lower salaries being offered in connection with available employment, which, in turn, may result in declines in our placement and persistence rates. In addition, these events could adversely affect the ability or willingness of our former students to repay student loans, which could increase our student loan cohort default rate and require increased time, attention and resources to manage these defaults. Further, the inability of students to pay their tuition and fees in cash has, along with other factors, resulted in a significant increase to our 90/10 rate over the last several fiscal years.

We recognized impairment charges in fiscal 2012 and may recognize additional such charges in the future, which could adversely affect our results of operation and financial condition.

We evaluate property and equipment, goodwill and other intangible assets for impairment on at least an annual basis. We recognize an impairment charge if the carrying value of our property and equipment, goodwill or other intangible assets exceed their estimated fair value. In assessing fair value, we rely primarily on a discounted cash flow analysis, as well as other generally accepted valuation methodologies. These analyses rely on the judgments and estimates of management, which involve inherent uncertainties. The estimated fair value of our property and equipment, goodwill and other intangible assets may be adversely affected by a number of factors, including changes in the regulatory environment in which we operate, the effects of a general economic slowdown and other unanticipated events and circumstances. In particular, should the Company need to take additional actions not currently foreseen to comply with current or future regulations, the assumptions used to calculate the fair value of property and equipment, goodwill and other intangible assets, including estimates of future revenues and cash flows, could be negatively affected and could result in an impairment of our property and equipment, goodwill or other intangible assets. If we are required to recognize an impairment charge, it would be recorded as an operating expense in the period in which the carrying value exceeds the fair value.

Each of our reportable segments incurred substantial impairment charges during the latter half of fiscal 2012. As of June 30, 2012, we had approximately $1.9 billion of property and equipment, goodwill and other intangible assets. While we currently believe that the fair value of our property and equipment, goodwill and other intangible assets exceed their carrying value, changes in our estimates and assumptions regarding the future performance of our business could result in further impairment charges, which may have a material adverse affect on our results of operations.

We may have difficulty opening additional new schools and growing our online academic programs, and we may be unable to achieve the anticipated return on our investment.

We anticipate continuing to open new schools in the future. Establishing new schools poses unique challenges and requires us to make investments in management, capital expenditures, marketing expenses and other resources. When opening a new school, we are required to obtain appropriate state or provincial and accrediting agency approvals. In addition, to be eligible for federal student financial aid programs, a school has to be certified by the U.S. Department of Education. Further, our debt agreements include limitations on the amount of capital expenditures we may make on an annual basis. Our failure to effectively manage the operations of newly established schools or service areas, or any diversion of management's attention from our core school operating activities, could harm our business.

As of June 30, 2012, we offer fully online programs at The Art Institute of Pittsburgh, Argosy University and South University. We plan to continue to introduce new online programs at these schools in the future. The success of any new online programs and classes depends in part on our ability to expand the content of our programs, develop new programs in a cost-effective manner and meet the needs of our students in a timely manner. The expansion of our existing online programs, the creation of new online classes and the development of new fully online programs may not be accepted by students or the online education market for many reasons, including as a result of the expected increased competition in the online education market or because of any problems with the performance or reliability of our online program infrastructure. In addition, a general decline in Internet use for any reason, including due to security or privacy concerns, the cost of Internet service or changes in government regulation of Internet use may result in less demand for online educational services, in which case we may not be able to grow our online programs.

We may not be able to grow our business if we are not able to improve the content of our existing academic programs or to develop new programs on a timely basis and in a cost effective manner.

We continually seek to improve the content of our existing academic programs and develop new programs in order to meet changing market needs. Revisions to our existing academic programs and the development of new programs may not be accepted by existing or prospective students or employers in all instances. If we cannot respond effectively to market changes, our business may be adversely affected. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs as quickly as students require or as quickly as our competitors are able to introduce competing programs. Our efforts to introduce a new academic program may be conditioned or delayed by requirements to obtain federal, state and accrediting agency approvals. The development of new programs and classes, both conventional and online, is subject to requirements and limitations imposed by the U.S. Department of Education, state licensing agencies and the relevant accrediting bodies. The imposition of restrictions on the initiation of new educational programs by any of our regulatory agencies may delay such expansion plans. If we do not respond adequately to changes in market requirements, our ability to attract and retain students could be impaired and our financial results could suffer.

Establishing new academic programs or modifying existing academic programs also may require us to make investments in specialized personnel and capital expenditures, increase marketing efforts and reallocate resources away from other uses. We may have limited experience with the subject matter of new programs and may need to modify our systems and strategy. If we are unable to increase the number of students, offer new programs in a cost-effective manner or otherwise manage effectively the operations of newly established academic programs, our results of operations and financial condition could be adversely affected.

Our marketing programs may not be effective in attracting prospective students, current students or potential employers of our graduates.

In order to maintain and increase our revenues and margins, we must continue to attract new students in a cost-effective manner. Over the last several fiscal years, we have increased the amounts spent on marketing and advertising, and we anticipate that this trend will continue. If we are unable to successfully advertise and market our schools and programs, our ability to attract and enroll new students could be adversely impacted and, consequently, our financial performance could suffer. We use marketing tools such as the Internet, radio, television and print media advertising to promote our schools and programs. Our representatives also make presentations at high schools. If we are unable to utilize these advertising methods in a cost-effective manner or if our other costs limit the amount of funds we can contribute to advertising, our profitability and revenue may suffer. Additionally, we rely on the general reputation of our schools and referrals from current students, alumni and employers as a source of new students. Among the factors that could prevent us from successfully marketing and advertising our schools and programs are the failure of our marketing tools and strategy to appeal to prospective students or current student and/or employer dissatisfaction with our program offerings or results and diminished access to high school campuses.

A decline in the overall growth of enrollment in post-secondary institutions could cause us to experience lower enrollment at our schools, which would negatively impact our future growth.

According to the U.S. Department of Education, enrollment in degree-granting, post-secondary institutions is projected to grow 9.5% over the ten-year period ending in the fall of 2020 to approximately 23.0 million students. This growth compares with a 37.3% increase reported in the prior ten-year period ended in 2010, when enrollment increased from 15.3 million students in 2000 to approximately 21.0 million students in 2010. While enrollment growth in the ten-year period ended 2010 was accompanied by a 15.2% increase in high school graduates from 2.8 million students in 2000 to 3.3 million students in 2010, the U.S. Department of Education is not projecting any growth in the number of high school graduates through 2020.

Failure to keep pace with changing market needs and technology could harm our ability to attract students.

The success of our schools depends to a large extent on the willingness of prospective employers to employ our students upon graduation. Increasingly, employers demand that their new employees possess appropriate technological skills and also appropriate “soft” skills, such as communication, critical thinking and teamwork skills. These skills can evolve rapidly in a changing economic and technological environment. Accordingly, it is important that our educational programs evolve in response to those economic and technological changes. The expansion of existing academic programs and the development of new programs may not be accepted by current or prospective students or the employers of our graduates. Even if our schools are able to develop acceptable new programs, our schools may not be able to begin offering those new programs as quickly as required by prospective employers or as quickly as our competitors offer similar programs. If we are unable to adequately respond to changes in market requirements due to regulatory or financial constraints, unusually rapid technological changes or other factors, our ability to attract and retain students could be impaired, the rates at which our graduates obtain jobs involving their fields of study could suffer and our results of operations and cash flows could be adversely affected.

Failure to obtain additional capital in the future could adversely affect our business.

We may need additional debt or equity financing in order to finance our continued operations. The amount and timing of such additional financing will vary principally depending on the timing and size of acquisitions and new school openings, the willingness of sellers to provide financing for future acquisitions and the amount of cash flows from our operations. We are required by the U.S. Department of Education to post a letter of credit equal to 15% of the Title IV program funds received by students at our schools during fiscal 2011, or $414.5 million. Outstanding letters of credit reduce the availability under our revolving credit facility. In the future, we may not have sufficient letter of credit capacity to satisfy the letter of credit requirement for the U.S. Department of Education, which would limit our growth and potentially subject us to operating restrictions. Further, to the extent that we require additional financing in the future and are unable to obtain such additional financing, we may not be able to grow our business.

Capacity constraints or system disruptions to our online computer networks could have a material adverse effect on our ability to attract and retain students.

The performance and reliability of the program infrastructure of our schools’ online operations is critical to the reputation of these campuses and our ability to attract and retain students. Any computer system error or failure, or a sudden and significant increase in traffic on our computer networks that host our schools’ online operations, may result in the unavailability of our schools’ online operations’ computer networks. In addition, any significant failure of our computer networks could disrupt our on campus operations. Individual, sustained or repeated occurrences could significantly damage the reputation of our schools’ online operations and result in a loss of potential or existing students. Additionally, our schools’ online computer systems and operations are vulnerable to interruption or malfunction due to events beyond our control, including natural disasters and network and telecommunications failures. Any interruption to our schools’ online computer systems or operations could have a material adverse effect on the ability of our schools’ online operations to attract and retain students.

The personal information that we collect may be vulnerable to breach, theft or loss that could adversely affect our reputation and operations.

Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. Our schools collect, use and retain large amounts of personal information regarding our students and their families, including social security numbers, tax return information, personal and family financial data and credit card numbers. We also collect and maintain personal information of our employees in the ordinary course of our business. Our computer networks and the networks of certain of our vendors that hold and manage confidential information on our behalf may be vulnerable to unauthorized access, computer hackers, computer viruses and other security threats. Confidential information also may become available to third parties inadvertently when we integrate or convert computer networks into our network following an acquisition of a school or in connection with upgrades from time to time.

Due to the sensitive nature of the information contained on our networks, such as students' grades, our networks may be targeted by hackers. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in our operations. Although we use security and business controls to limit access and use of personal information, a third party may be able to circumvent those security and business controls, which could result in a breach of student or employee privacy. In addition, errors in the storage, use or transmission of personal information could result in a breach of student or employee privacy. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could require notification of data breaches and restrict our use of personal information. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches. A major breach, theft or loss of personal information regarding our students and their families or our employees that is held by us or our vendors could have a material adverse effect on our reputation and results of operations and result in further regulation and oversight by federal and state authorities and increased costs of compliance.

We may not be able to retain our key personnel or hire and retain additional personnel needed for us to sustain and grow our business as planned.

Our success depends, in large part, upon our ability to attract and retain highly qualified faculty, school presidents and administrators and corporate management. We may have difficulty locating and hiring qualified personnel, and retaining such personnel once hired. In addition, key personnel may leave and subsequently compete against us. The loss of the services of any of our key personnel, many of whom are not party to employment agreements with us, or our failure to attract and retain other qualified and experienced personnel on acceptable terms could impair our ability to successfully sustain and grow our business, which could have a material adverse effect on our results of operations.

Our inability to operate one or more of our schools or locations due to a natural disaster, terrorist act or widespread epidemic or to restore a damaged school or location to its prior operational level could materially hurt our operating results and cash flows.

A number of our schools are located in Florida and elsewhere in the southeastern United States in areas prone to hurricane damage, which may be substantial. We also have a number of schools located in California in areas vulnerable to earthquakes. One or more of these schools may be unable to operate for an extended period of time in the event of a hurricane, earthquake or other natural disaster which does substantial damage to the area in which a school is located. In addition, we may not be in a position to devote sufficient resources to a damaged school in order for it to re-open in a timely fashion or at the same level of operation as existed prior to the damage. Further, a regional or national outbreak of influenza or other illness easily spread by human contact could cause us to close one or more of our schools for an extended period of time. The failure of one or more of our schools to operate for a substantial period of time could have a material adverse effect on our results of operations and cash flows.

We have a significant concentration of admissions representatives for our fully online schools in two geographically separate locations. A natural disaster or terrorist act which affected one of these locations could result in our inability to contact prospective students for our fully online programs for an extended period of time, which would result in a significantly lower number of new students enrolling in our programs.

We operate in a highly competitive industry, and competitors with greater resources could harm our business.

The post-secondary education market is highly fragmented and competitive. Our schools compete for students with traditional public and private two-year and four-year colleges and universities and other proprietary providers, including those that offer online learning programs. Many public and private colleges and universities, as well as other proprietary providers, offer programs similar to those we offer. In particular, we believe the competition for students attending fully online programs has increased over the last several years as more institutions, including public and private institutions, offer degrees to fully online students. We expect to experience additional competition in the future as more colleges, universities and proprietary providers offer an increasing number of online programs. Public institutions receive substantial government subsidies, and public and private institutions have access to government and foundation grants, tax-deductible contributions and other financial resources generally not available to proprietary providers. Accordingly, public and private institutions may have instructional and support resources superior to those in the proprietary sector, and public institutions can offer substantially lower tuition prices. Some of our competitors in both the public and private sectors also have substantially greater financial and other resources than we do.

We could experience an event of default under our senior secured credit agreement if the Sponsors cease to own an aggregate of at least 35% of the voting interests of our outstanding capital stock, and such an event of default could adversely affect our liquidity and financial position.

Under the current terms of our senior secured credit agreement, an event of default would occur if the Sponsors cease to own, collectively, at least 35% of the voting interests of our outstanding capital stock on a fully diluted basis. This event of default could be triggered during the term of the senior secured credit agreement either by future sales or transfers of our capital stock by any of the Sponsors or by additional issuances of voting capital stock by us. As of June 30, 2012, the Sponsors owned, in the aggregate, approximately 84% of the voting interests of our outstanding capital stock on a fully diluted basis.

Because we cannot control when future transactions by any of the Sponsors will occur, we cannot assure you that one or more Sponsors will not engage in transactions that trigger an event of default under the current terms of our senior secured credit agreement, or that we will be able to amend this provision of our senior secured credit agreement prior to any such sale or transfer. If an event of default occurs as a result of a future sale or transfer by any of the Sponsors, the lenders could elect to declare all amounts outstanding under the senior secured credit agreement to be immediately due and payable and terminate all commitments to extend further credit. It is possible that we would not be in a position at that time to refinance the amounts due under the senior secured credit agreement on economical terms, or at all, or repay the amounts due to the lenders, and the lenders then could proceed against the collateral securing our indebtedness.

If we expand in the future into new markets outside the United States, we would be subject to risks inherent in non-domestic operations.

If we acquire or establish schools in new markets outside the United States, we will face risks that are inherent in non-domestic operations, including the complexity of operations across borders, currency exchange rate fluctuations, monetary policy risks, such as inflation, hyperinflation and deflation, and potential political and economic instability in the countries into which we expand.

Private equity funds affiliated with the Sponsors own the majority of our voting stock, which, if they act together, allows them to control substantially all matters requiring shareholder approval, and a small number of our shareholders, acting in concert, could effect a "going-private" transaction.

Collectively, private equity funds affiliated with the Sponsors beneficially owned approximately 84% of our outstanding common stock at June 30, 2012. In addition, pursuant to a Shareholders Agreement entered into among the Sponsors and certain of our shareholders (the "Shareholders Agreement"), five of our ten directors are representatives of the private equity funds affiliated with the Sponsors. Certain private equity funds affiliated with Providence Equity Partners and certain private equity funds affiliated with Goldman Sachs Capital Partners each have the right to appoint two directors if such Sponsor owns 10% or more of our common stock and each of the Sponsors have the right to appoint one director if such Sponsor owns 2% or more of our common stock. As a result, these private equity funds, should they vote their respective shares in concert with each other, have significant influence over our decision to enter into any corporate transaction and have the ability to prevent any transaction that requires the approval of shareholders, regardless of whether or not other shareholders believe that such transaction is in their own best interests. Such concentration of voting power could have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our shareholders. Under Pennsylvania law, the state of incorporation of the Company, the Sponsors could decide to effect a "short form" merger involving the Company, without the need for approval of the Company's Board of Directors or any other shareholders, which would result in the shares held by the public being cashed out, and the Company no longer being publicly traded (a "going-private transaction"). Certain of these private equity funds from time to time consider the possibilities for effecting a going-private transaction, which they might decide to effect in the near term or thereafter, although there is no guarantee that such a transaction will be proposed, or if proposed, consummated or, should it be consummated, the timing or price thereof. Any decision by the Sponsors to approve, disapprove or undertake a transaction affecting the Company's common stock could have a material effect on the value of the Company's outstanding shares.

Additionally, the Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. One or more of the Sponsors may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. As long as private equity funds affiliated with the Sponsors collectively continue to own, directly or indirectly, a significant amount of the outstanding shares of our common stock, the Sponsors will collectively continue to be able to strongly influence or effectively control our decisions.

We qualify for and avail ourselves of exemptions from certain corporate governance requirements for companies whose stock is quoted on The NASDAQ Stock Market LLC ("Nasdaq") that provide protection to shareholders of other companies.

The parties to the Shareholders Agreement collectively own more than 50% of the total voting power of our common stock, and we therefore use certain "controlled company" exemptions under Nasdaq's corporate governance listing standards that free us from the obligation to comply with certain Nasdaq corporate governance requirements, including the requirements:

- that a majority of our Board of Directors consists of independent directors;
- that the compensation of executive officers be determined, or recommended to our Board of Directors for determination, either by (a) a majority of the independent directors or (b) a compensation committee comprised solely of independent directors; and
- that director nominees be selected, or recommended for our Board of Directors' selection, either by (a) a majority of the independent directors or (b) a nominations committee comprised solely of independent directors.

As a result of our use of these exemptions, owners of our common stock do not have the same protection afforded to shareholders of companies that are subject to all of Nasdaq's corporate governance requirements. In the event that we cease to be eligible to utilize "controlled company" exemptions under Nasdaq's corporate governance listing standards, we will have a transitionary period during which we must achieve compliance with the requirements described above.

Provisions in our charter documents and the Pennsylvania Business Corporation Law could make it more difficult for a third party to acquire us and could discourage a takeover and adversely affect existing shareholders.

Provisions in our charter documents could discourage potential acquisition proposals or make it more difficult for a third party to acquire control of the Company, even if doing so might be beneficial to our shareholders. Our articles of incorporation and bylaws provide for various procedural and other requirements that could make it more difficult for shareholders to effect certain corporate actions. For example, our articles of incorporation authorize our Board of Directors to issue up to 20.0 million shares of preferred stock and to determine the powers, preferences, privileges, rights, including voting rights, qualifications, limitations and restrictions on those shares, without any further vote or action by our shareholders. The rights of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. Additional provisions that could make it more difficult for shareholders to effect certain corporate actions include the following:

- our articles of incorporation prohibit cumulative voting in the election of directors;
- once the private equity funds affiliated with the Sponsors and certain of our other institutional investors collectively cease to beneficially own 50% or more of our outstanding common stock, our articles of incorporation and bylaws will not (i) permit shareholder action without a meeting by consent, except for unanimous written consent, (ii) permit shareholders to call or to require the Board of Directors to call a special meeting or (iii) permit shareholder removal of directors without assigning any cause; and
- our bylaws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must comply with advance notice procedures.

Our shareholders may remove directors only for cause; provided, that as long as our shareholders have the right to act by partial written consent, directors may be removed from office by partial written consent without assigning any cause. These and other provisions of the Pennsylvania Business Corporation Law (the "PBCL") and our articles of incorporation and bylaws may discourage acquisition proposals, make it more difficult or expensive for a third party to acquire a majority of our outstanding common stock or delay, prevent or deter a merger, acquisition, tender offer or proxy contest, which may negatively affect our stock price.

We currently do not intend to pay dividends on our common stock and, consequently, investors' only opportunity to achieve a return on their investment is if the price of our common stock appreciates.

We currently do not expect to pay dividends on shares of our common stock. The terms of our senior secured credit facilities or indenture limits our ability to pay cash dividends in certain circumstances. Furthermore, if we are in default under our credit facilities or indenture, our ability to pay cash dividends will be limited in certain circumstances in the absence of a waiver of that default or an amendment to the facilities or indenture. In addition, because we are a holding company, our ability to pay cash dividends on shares of our common stock may be limited by restrictions on our ability to obtain sufficient funds through dividends from our subsidiaries, including the restrictions under our senior secured credit facilities and the indenture for the Senior Notes. Subject to these restrictions, the payment of cash dividends in the future, if any, will be at the discretion of our Board of Directors and will depend upon such factors as earnings levels, capital requirements, our overall financial condition and any other factors deemed relevant by our Board of Directors. Consequently, the only opportunity for investors to achieve a return on their investment in the Company is if the market price of our common stock appreciates.

Education Management Corporation relies on dividends, distributions and other payments, advances and transfers of funds from its operating subsidiaries to meet its debt service and other obligations.

Education Management Corporation conducts all of its operations through certain of its subsidiaries, and at June 30, 2012 it had no significant assets other than cash of approximately $3.2 million and the capital stock of its respective subsidiaries. As a result, Education Management Corporation relies on dividends and other payments or distributions from its operating subsidiaries to meet any existing or future debt service and other obligations. The ability of its operating subsidiaries to pay dividends or to make distributions or other payments to Education Management Corporation will depend on their respective operating results and may be restricted by, among other things, the laws of their respective jurisdictions of organization, regulatory requirements, agreements entered into by those operating subsidiaries and the covenants of any existing or future outstanding indebtedness that Education Management Corporation or its subsidiaries may occur. For example, its senior secured credit agreement and the indenture governing the Senior Notes contain certain restrictions on Education Management Corporation's subsidiaries' ability to pay dividends and to make distributions.

We experience seasonal fluctuations in our results of operations which may result in similar fluctuations in the trading price of our common stock.

Historically, our quarterly revenues and income have fluctuated primarily as a result of the pattern of student enrollments at our schools. The number of students enrolled at our schools typically is greatest in the second quarter of our fiscal year, when the largest number of recent high school and college graduates typically begin post-secondary education programs. Student vacations generally cause our student enrollments to be at their lowest during our first fiscal quarter. Because a significant portion of our expenses do not vary proportionately with the fluctuations in our revenue, our results in a particular fiscal quarter may not indicate accurately the results we will achieve in a subsequent quarter or for the full fiscal year. These fluctuations in our operating results may result in corresponding volatility in the market price for our common stock.

The market price of our common stock may continue to be volatile due to a number of factors, including our low float, which could cause the value of an investment in our common stock to decline or could subject us to securities class action litigation.

Our stock price has declined significantly since January 2012 and may continue to be volatile due to, among other factors, our low float, which is the number of shares of the Company's common stock that are outstanding and available for trading by the public. Our relatively low float is a consequence of the concentrated holdings of certain of our principal shareholders, as well as our ongoing repurchases of common stock under the stock repurchase program that our Board of Directors adopted in 2010. The resulting thin trading market for our stock may cause the market price for our common stock to fluctuate significantly more than the stock market as a whole, and without a large float, our common stock is less liquid than the stock of companies with broader public ownership. In other words, the Company's stock price may change dramatically when buyers seeking to purchase shares of the Company's common stock exceed the shares available on the market, or when there are no buyers to purchase shares of the Company's common stock when shareholders are trying to sell their shares, and in the absence of an active public trading market, you may be unable to liquidate your investment in the Company at the time that you wish at a price that you consider satisfactory. The lack of an active market may also reduce the fair value of your shares and may impair our ability to raise capital to continue to fund operations by selling shares or to acquire other companies by using our shares as consideration.

Other specific factors that could cause the market price of our common stock to rise and fall include but are not limited to the following:

- variations in our or our competitors' actual or anticipated operating results or any failure on our part to otherwise meet the expectations of the investment community;
- our growth rates or those of our competitors;
- our introduction, or introduction by our competitors, of new schools, new programs, concepts, or pricing policies;
- recruitment or departure of key personnel;
- changes in the estimates of our operating performance or changes in recommendations by any securities analyst who follows our stock;
- changes in the conditions in the education industry, the financial markets or the economy as a whole;
- substantial sales of our common stock;
- failure of any of our schools to secure or maintain accreditation or eligibility to participate in Title IV programs;

- announcements of regulatory or other investigations, adverse regulatory action by the U.S. Department of Education, state agencies or accrediting agencies, regulatory scrutiny of our operations or the operations of our competitors or lawsuits filed against us or our competitors; and
- changes in accounting principles.

Furthermore, overall market volatility, as well as general economic, market or potential conditions, could reduce the market price of our common stock in spite of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation often has been brought against that company. Due to the potential volatility of our stock price, we therefore may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We did not receive written comments from the SEC staff more than 180 days prior to the end of fiscal 2012 that have remained unresolved.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Pittsburgh, Pennsylvania. At June 30, 2012, our schools were located in major metropolitan areas in 32 states and one Canadian province. Typically, our schools occupy an entire building or several floors or portions of floors in a building often located in office or commercial buildings.

We currently lease most of our administrative and educational facilities under operating lease arrangements. We own a student housing facility in Fort Lauderdale, Florida and buildings occupied by The Art Institutes of Pittsburgh, Colorado and Seattle, by Western State College of Law in Fullerton, California, by Argosy University in Egan, Minnesota and Sarasota, Florida, and by the Brown Mackie College in Lenexa, Kansas. At June 30, 2012, we owned approximately 0.6 million square feet of real property and leased approximately 6.7 million square feet of office and educational facilities.

Many of our facility leases contain provisions prohibiting a change in control of the lessee or permitting the landlord to terminate the lease upon a change in control of the lessee. Based primarily upon our belief that (1) we maintain good relationships with the substantial majority of our landlords, (2) most of our leases are at market rates and (3) we have historically been able to secure suitable leased property at market rates when needed, we believe that these provisions will not, individually or in the aggregate, have a material adverse effect on our business or financial position.

ITEM 3. LEGAL PROCEEDINGS

Qui Tam Matters

Washington v. Education Management Corporation. On May 3, 2011, a *qui tam* action captioned *United States of America, and the States of California, Florida, Illinois, Indiana, Massachusetts, Minnesota, Montana, New Jersey, New Mexico, New York and Tennessee, and the District of Columbia, each ex rel. Lynntoya Washington and Michael T. Mahoney v. Education Management Corporation, et al.* ("Washington") filed under the federal False Claims Act in April 2007 was unsealed due to the U.S. Department of Justice's decision to intervene in the case. Five of the states listed on the case caption joined the case based on *qui tam* actions filed under their respective False Claims Acts. The Court granted the Company's motion to dismiss the District of Columbia from the case and denied the Commonwealth of Kentucky's motion to intervene in the case under its consumer protection laws.

The case, which is pending in federal district court in the Western District of Pennsylvania, relates to whether our compensation plans for admission representatives violated the HEA, and U.S. Department of Education regulations prohibiting an institution participating in Title IV programs from providing any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments to any person or entity engaged in any student recruitment or admissions activity during the period of July 1, 2003 through June 30, 2011. The complaint was initially filed by a former admissions representative at The Art Institute of Pittsburgh Online Division and a former director of training at EDMC Online Higher Education and asserts the relators are entitled to recover treble the amount of actual damages allegedly sustained by the federal government as a result of the alleged activity, plus civil monetary penalties. The complaint does not specify the amount of damages sought but claims that the Company and/or students attending the Company's schools received over $11 billion in funds from participation in Title IV programs and state financial aid programs during the period of alleged wrongdoing.

On May 11, 2012, the Court ruled on the Company's motion to dismiss case for failure to state a claim upon which relief can be granted, dismissing the claims that the design of the Company's compensation plan for admissions representatives violated the incentive compensation rule and allowing the allegations that the plan as implemented violated the rule and common law claims to continue to discovery. The Company believes the case to be without merit and intends to vigorously defend itself.

Sobek v. Education Management Corporation. On March 13, 2012, a *qui tam* action captioned *United States of America, ex rel. Jason Sobek v. Education Management Corporation, et al*. filed under the federal False Claims Act on January 28, 2010 was unsealed after the U.S. Department of Justice declined to intervene in the case. The case, which is pending in the Western District of Pennsylvania, alleges that the defendants violated the U.S. Department of Education's regulation prohibiting institutions from making substantial misrepresentations to prospective students, did not adequately track student academic progress and violated the U.S. Department of Education's prohibition on the payment of incentive compensation to admissions representatives. The complaint was filed by a former project associate director of admissions at EDMC Online Higher Education who worked for South University and asserts the relator is entitled to recover treble the amount of actual damages allegedly sustained by the federal government as a result of the alleged activity, plus civil monetary penalties. The complaint does not specify the amount of damages sought but claims that the Company's institutions were ineligible to participate in Title IV programs during the period of alleged wrongdoing.

On May 29, 2012, the Company filed a motion to dismiss the case with prejudice for failure to state a claim upon which relief can be granted. In response, the relators withdrew the allegations in the complaint related to violations of the incentive compensation rule. The Company believes the remaining claims in the case to be without merit and intends to vigorously defend itself.

Shareholder Derivative Lawsuits

On May 21, 2012, a shareholder derivative class action captioned *Oklahoma Law Enforcement Retirement System v. Todd S. Nelson, et al.* was filed against the directors of the Company in state court located in Pittsburgh, PA. The Company is named as a nominal defendant in the case. The complaint alleges that the defendants violated their fiduciary obligations to the Company's shareholders due to the Company's violation of the U.S. Department of Education's prohibition on paying incentive compensation to admissions representatives, engaging in improper recruiting tactics in violation of Title IV of the HEA and accrediting agency standards, falsification of job placement data for graduates of its schools and failure to satisfy the U.S. Department of Education's financial responsibility standards. The Company previously received two demand letters from the plaintiff which were investigated by a Special Litigation Committee of the Board of Directors and found to be without merit. The Company filed a motion to dismiss the case with prejudice on August 13, 2012. The Company believes that the claims are without merit and intends to vigorously defend itself.

On August 3, 2012, a shareholder derivative class action captioned *Stephen Bushansky v. Todd S. Nelson, et al.* was filed against certain of the directors of the Company in federal district court in the Western District of Pennsylvania. The Company is named as a nominal defendant in the case. The complaint alleges that the defendants violated their fiduciary obligations to the Company's shareholders due to the Company's use of improper recruiting, enrollment admission and financial aid practices and violation of the U.S. Department of Education's prohibition on the payment of incentive compensation to admissions representatives. The Company previously received a demand letter from the plaintiff which was investigated by a Special Litigation Committee of the Board of Directors and found to be without merit. The Company believes that the claims set forth in the complaint are without merit and intends to vigorously defend itself.

OIG Subpoena

On March 22, 2011, the Company received a subpoena from the Office of Inspector General of the U.S. Department of Education requesting documents related to satisfactory academic progress standards and state licensing of online programs offered by South University and The Art Institute of Pittsburgh for the time period beginning January 1, 2006 through the date of the subpoena. The OIG has not contacted us since our last production of materials in response to the subpoena in October 2011, and we believe that we have fully responded to their document requests. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

Buirkle APA Program Accreditation Lawsuit

In August 2009, a petition was filed in the District Court for Dallas County, Texas in the case of *Capalbo et al. v. Argosy Education Group, Inc. University, Education Management LLC, Education Management Corporation and Marilyn Powell-Kissinger* by 15 former students in the Clinical Psychology program offered by the Dallas campus of Argosy University. In September 2009, the defendants removed the case to the United States District Court for the Northern District of Texas, Dallas division. The case was remanded back to state court in November 2009 by agreement after the plaintiffs amended their pleadings to specify their allegations and agreed to dismiss Dr. Powell-Kissinger as a defendant. The plaintiffs filed an amended petition in state court in January 2010 under the name of *Buirkle et al. v. Argosy Education Group, Inc., Education Management LLC and Education Management Corporation* and included three new plaintiffs. The petition alleges that, prior to the plaintiffs' enrollment and/or while the plaintiffs were enrolled in the program, the defendants violated the Texas Deceptive Trade Practices and Consumer Protection Act and made material misrepresentations regarding the importance of accreditation of the program by the Commission on Accreditation of the American Psychological Association, the status of the application of the Dallas campus for such accreditation, the availability of loan repayment options for the plaintiffs, and the quantity and quality of the plaintiffs' career options. Plaintiffs seek unspecified monetary compensatory and punitive damages. In March 2010, claims filed by three of the plaintiffs who signed arbitration agreements with Argosy University were compelled to binding arbitration. The remainder of the state court action was stayed pending the resolution of the three arbitrations.

In May 2010, those three plaintiffs and a fourth former student in the Clinical Psychology program offered by the Dallas campus of Argosy University filed a demand for arbitration. The first of four separate arbitrations is currently scheduled to be heard in December 2012. Also in May 2010, three additional former students in the Clinical Psychology program offered by the Dallas campus of Argosy University filed a new action in the District Court for Dallas County, Texas in the case of *Adibian et al. v. Argosy Education Group, Inc., Education Management LLC, and Education Management Corporation* alleging the same claims made in the *Buirkle* lawsuit. The defendants filed a motion to stay the new action pending the resolution of the arbitration proceedings. Prior to the hearing on the motion, plaintiffs filed a notice of non-suit without prejudice. On August 9, 2012, the Court entered joint notice of nonsuit dismissing the plantiffs' claims under the Texas Deceptive Trade Practices Act with prejudice.

The Company believes the claims in the lawsuits and the arbitrations to be without merit and intends to vigorously defend itself.

State Attorney General Investigations

In August 2011, the Company received a subpoena from the Attorney General of the State of New York requesting documents and detailed information for the time period of January 1, 2000 through the present. The Art Institute of New York City is the Company's only school located in New York though the subpoena also addresses fully online students who reside in the State. The subpoena is primarily related to the Company's compensation of admissions representatives and recruiting activities. The relators in the Washington *qui tam* case filed the complaint under the State of New York's False Claims Act though the state has not announced an intention to intervene in the matter. The Company intends to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In December 2010, the Company received a subpoena from the Office of Consumer Protection of the Attorney General of the Commonwealth of Kentucky requesting documents and detailed information for the time period of January 1, 2008 through December 31, 2010. The Company has three Brown Mackie College locations in Kentucky. The Kentucky Attorney General announced an investigation of the business practices of proprietary post-secondary schools and that subpoenas were issued to six proprietary colleges that do business in Kentucky in connection with the investigation. The Company intends to continue to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In October 2010, Argosy University received a subpoena from the Florida Attorney General's office seeking a wide range of documents related to the Company's institutions, including the nine institutions located in Florida, from January 2, 2006 to the present. The Florida Attorney General has announced that it is investigating potential misrepresentations in recruitment, financial aid and other areas. The Company is cooperating with the investigation, but has also filed a suit to quash or limit the subpoena and to protect information sought that constitutes proprietary or trade secret information. The Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In June 2007, The New England Institute of Art ("NEIA") received a civil investigative demand letter from the Massachusetts State Attorney General requesting information in connection with the Attorney General's review of alleged submissions of false claims by NEIA to the Commonwealth of Massachusetts and alleged unfair and deceptive student lending and marketing practices engaged in by the school. In February 2008, the Attorney General informed NEIA that it does not plan to further pursue its investigation of deceptive marketing practices. In June and August of 2011, the Company provided the Attorney General with additional information related to the false claims investigation. NEIA intends to fully cooperate with the Attorney General in connection with its continuing investigation.

City of San Francisco

In December 2011, the Company received a letter from the City Attorney of the City of San Francisco, California requesting information related to student recruitment and indebtedness, including recruiting practices and job placement reporting, among other issues, by The Art Institute of San Francisco and the seven other Art Institutes located in California. The

Company intends to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

Other Matters

The Company is a defendant in certain other legal proceedings arising out of the conduct of its business. In the opinion of management, based upon an investigation of these claims and discussion with legal counsel, the ultimate outcome of such other legal proceedings, individually and in the aggregate, is not expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

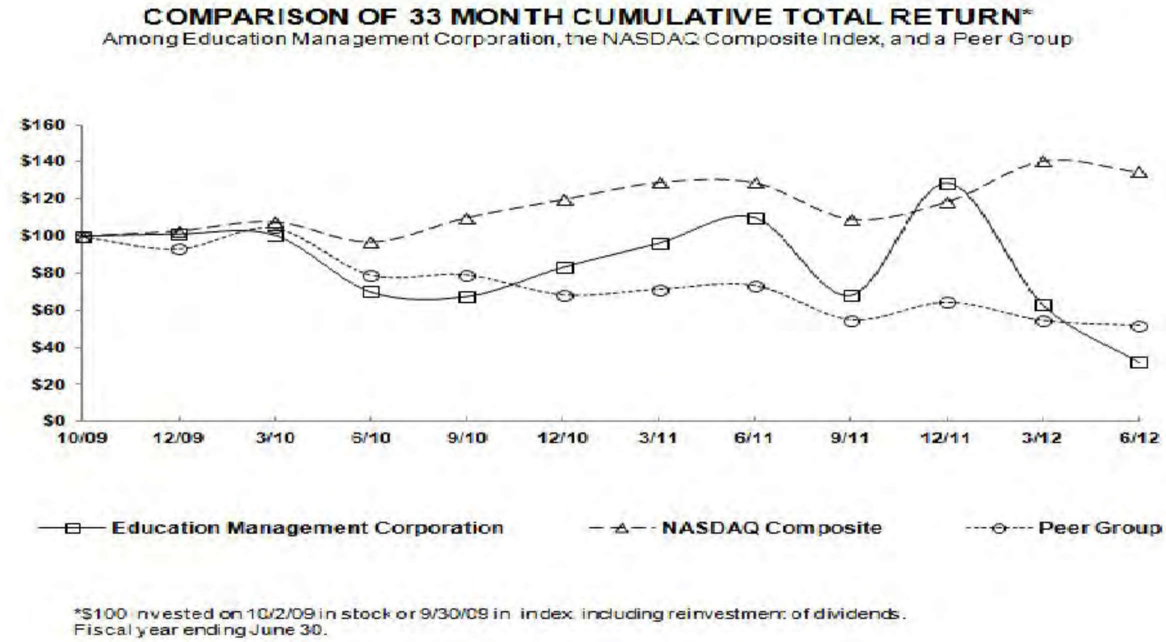
ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

On October 1, 2009, we consummated an initial public offering of 23.0 million shares of our common stock for net proceeds of approximately $387.3 million. In connection with the initial public offering, our Board of Directors declared a 4.4737 for one split of our common stock, which was paid in the form of a stock dividend on September 30, 2009. In connection with this stock split, we amended and restated our articles of incorporation to, among other things, increase the number of authorized shares of our common stock. Unless otherwise noted, all information presented in this Form 10-K has been adjusted to reflect our amended and restated articles of incorporation and stock split.

Our common stock is traded on the Nasdaq Global Select Market under the symbol "EDMC." At September 5, 2012, there were 124,477,827 shares of our common stock outstanding, which were held by approximately 79 holders of record. The computation of the approximate number of shareholders is based upon a broker search. The prices set forth below reflect the high and low sales prices for our common stock, as reported in the consolidated transaction reporting system of the Nasdaq Global Select Market:

	Price Range of Common Stock	
	High	**Low**
2012		
First quarter	$ 28.61	$ 14.26
Second quarter	29.90	13.45
Third quarter	29.29	13.68
Fourth quarter	14.73	5.55
	High	**Low**
2011		
First quarter	$ 19.18	$ 7.76
Second quarter	18.74	9.76
Third quarter	21.45	13.52
Fourth quarter	27.59	16.93

The following performance graph compares the yearly percentage change in the cumulative total shareholder return on the Company's common stock since its initial public offering in October 2009 to the cumulative shareholder return for the same period of a peer group and the NASDAQ Composite Index. The peer group is comprised of the Company, Apollo Group, Inc., Capella Education Co., Career Education Corporation, DeVry Inc., ITT Educational Services, Inc. and Strayer Education, Inc. We believe this peer group represents a significant portion of the market value of publicly traded companies whose primary business is post-secondary education.



The preceding stock price performance graph and related information shall not be deemed “soliciting material” or to be “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following table sets forth information with respect to shares of our common stock that we purchased during the fourth quarter of fiscal 2012:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 1-April 30, 2012	311,974	$ 12.83	311,974	$ 53,111,226
May 1-May 31, 2012	574,160	$ 9.35	574,160	$ 47,745,407
June 1-June 30, 2012	184,462	$ 7.32	184,462	$ 46,394,948
Total quarter ended June 30, 2012	1,070,596	$ 10.01	1,070,596	$ 46,394,948

(1) In June 2010, the Board of Directors approved a stock repurchase program under which we may purchase our common stock in the open market, in privately negotiated transactions, through accelerated repurchase programs or in structured share repurchase programs. On October 28, 2011, the Board of Directors extended the expiration of the period during which purchases could be made under the program from December 31, 2011 to June 30, 2012, and on December 15, 2011, the Board of Directors increased the size of the stock repurchase program from $325.0 million to $375.0 million and extended the expiration of the period during which purchases can be made from June 30, 2012 to December 31, 2012. The program does not obligate us to acquire any particular amount of common stock, and it may be modified or suspended at any time at our discretion.

We have not paid dividends over the past two fiscal years, and we currently do not expect to pay dividends on shares of our common stock. The agreements governing our indebtedness limit our ability to pay dividends.

See Part III, Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters” for information relating to our equity compensation plans.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents our selected consolidated financial and other data as of the dates and for the periods indicated. The selected consolidated balance sheet data as of June 30, 2011 and 2012 and the selected consolidated statement of operations data and the selected consolidated statement of cash flows data for the fiscal years ended June 30, 2010, 2011 and 2012 have been derived from our audited consolidated financial statements and related notes appearing elsewhere in this Form 10-K. The selected historical consolidated balance sheet data as of June 30, 2008, 2009 and 2010 and the consolidated statement of operations and of cash flows data for the fiscal years ended June 30, 2008 and 2009 presented in this table have been derived from audited consolidated financial statements not included in this Form 10-K. The selected consolidated financial and other data presented are not necessarily indicative of the results that may be obtained for any future date or for any future period and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited consolidated financial statements and related notes that appear elsewhere in this Form 10-K.

	For the Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012
	(Dollars in millions except per share amounts)				
Statement of Operations Data:					
Net revenues	$ 1,684.2	$ 2,011.5	$ 2,508.5	$ 2,887.6	$ 2,761.0
Costs and expenses:					
Educational services	901.3	1,067.7	1,267.1	1,480.8	1,504.4
General and administrative	414.1	507.7	667.1	759.0	760.8
Management fees paid to affiliates	5.0	5.0	32.1	—	—
Depreciation and amortization	100.3	112.3	123.4	146.5	158.7
Goodwill and indefinite-lived intangible asset impairments	—	—	—	—	1,746.8
Total costs and expenses	1,420.7	1,692.7	2,089.7	2,386.3	4,170.7
(Loss) income before interest, loss on extinguishment of debt and income taxes	263.5	318.8	418.8	501.3	(1,409.7)
Interest expense, net	156.3	153.3	121.5	120.7	110.3
Loss on extinguishment of debt	—	—	47.2	11.4	9.5
(Loss) income before income taxes	107.2	165.5	250.1	369.2	(1,529.5)
Provision for income taxes (benefit) expense	41.2	61.1	81.6	139.7	(13.8)
Net (loss) income	$ 66.0	$ 104.4	$ 168.5	$ 229.5	$ (1,515.7)
Basic (loss) earnings per common share	$ 0.55	$ 0.87	$ 1.23	$ 1.67	$ (11.97)
Diluted (loss) earnings per common share	$ 0.55	$ 0.87	$ 1.22	$ 1.66	$ (11.97)
Basic weighted average shares outstanding (in 000s)	119,769	119,770	136,917	137,376	126,659
Diluted weighted average shares outstanding (in 000s)	119,769	119,770	137,667	138,316	126,659
Statement of Cash Flows Data:					
Net cash flows provided by (used in):					
Operating activities	$ 152.7	$ 293.4	$ 307.1	$ 399.7	$ (10.9)
Capital expenditures for long lived assets	(150.9)	(150.7)	(175.8)	(138.1)	(93.5)
Investing activities	(157.3)	(173.1)	(190.2)	(161.2)	(108.9)
Financing activities	(8.5)	(33.7)	(106.4)	(209.2)	(92.1)
Other Data:					
EBITDA (1)	$ 363.8	$ 431.1	$ 495.0	$ 636.4	$ (1,260.5)
Enrollment at beginning of fall quarter	95,900	110,800	136,000	158,300	151,200
Campus locations (at period end)	88	92	101	105	109

	As of June 30,				
	2008	2009	2010	2011	2012
	(In millions)				
Balance Sheet Data:					
Cash and cash equivalents (excludes restricted cash)	$ 277.4	$ 363.3	$ 373.5	$ 403.2	$ 191.0
Total assets	4,095.4	4,285.2	4,511.6	4,553.1	2,839.1
Total debt, including current portion and revolving credit facility	2,021.4	1,988.6	1,538.7	1,557.9	1,576.8
Total shareholders' equity	1,392.2	1,485.7	2,076.7	2,103.9	496.6

(1) EBITDA, a measure used by management to measure operating performance, is defined as net income before interest

expense, net, provision for income taxes and depreciation and amortization. EBITDA is not a recognized term under GAAP and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, EBITDA is not intended to be a measure of free cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Management believes EBITDA is helpful in highlighting trends because EBITDA excludes the results of decisions that are outside the control of operating management and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to similarly titled measures of other companies. EBITDA is calculated as follows:

	For the Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012
	(in millions)				
Net (loss) income	$ 66.0	$ 104.4	$ 168.5	$ 229.5	$ (1,515.7)
Interest expense, net	156.3	153.3	121.5	120.7	110.3
Provision for income taxes	41.2	61.1	81.6	139.7	(13.7)
Depreciation and amortization	100.3	112.3	123.4	146.5	158.6
EBITDA	$ 363.8	$ 431.1	$ 495.0	$ 636.4	$ (1,260.5)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview

We are among the largest providers of post-secondary education in North America, with over 151,200 enrolled students as of October 2011. We offer academic programs to our students through campus-based and online instruction, or through a combination of both. We are committed to offering quality academic programs and strive to improve the learning experience for our students. We target a large and diverse market, as our educational institutions offer students the opportunity to earn undergraduate and graduate degrees, including doctoral degrees, and certain specialized non-degree diplomas in a broad range of disciplines. These disciplines include media arts, health sciences, design, psychology and behavioral sciences, culinary, business, fashion, legal, education and information technology. Each of our schools located in the United States is licensed or permitted to offer post-secondary programs in the state in which it is located, accredited by a national or regional accreditation agency and certified by the U.S. Department of Education, enabling students to access federal student loans, grants and other forms of public and private financial aid. Our academic programs are designed with an emphasis on applied content and are taught primarily by faculty members who, in addition to having appropriate academic credentials, offer practical and relevant professional experience in their respective fields. Our net revenues were $2.76 billion in fiscal 2012.

Our schools comprise a national education platform that is designed to address the needs of a broad market, taking into consideration various factors that influence demand, such as programmatic and degree interest, employment opportunities, requirements for credentials in certain professions, demographics, tuition pricing points and economic conditions. We believe that our schools collectively enable us to provide access to a high quality education for potential students, at a variety of degree levels and across a wide range of disciplines.

During our more than 40-year operating history, we have expanded the reach of our education systems and currently operate 109 primary locations across 32 U.S. states and in Canada. In addition, we have offered online programs since 2000, enabling our students to pursue degrees fully online or through a flexible combination of both online and campus-based education.

A majority of our students rely on funds received under various government-sponsored student financial aid programs, especially Title IV programs, to pay a substantial portion of their tuition and other education-related expenses. Because of the dependence on government-sponsored programs, we participate in industry groups and monitor the impact of newly proposed legislation on our business. Some of our students also rely upon funds received from private lenders to pay a portion of their tuition and related expenses. Net revenues derived indirectly from private loans to students at our schools represented less than 5% of our net revenues in each of the last three fiscal years.

Though we experienced significant growth over the ten years preceding fiscal 2012 (including compounded annual enrollment growth at a rate of 16.7% during the period from October 2001 through October 2011), we and other proprietary post-secondary education providers have experienced a number of recent challenges that resulted in declines in enrollment at many of our schools, which negatively impacted our financial results. The average enrollment at our schools during fiscal 2012 decreased 5.7% as compared to fiscal 2011, from total average enrollment of approximately 150,800 students in fiscal 2011 to approximately 142,100 students in fiscal 2012.

Industry Overview

The U.S. Department of Education estimates that the U.S. public and private post-secondary education market for degree-granting institutions was a $490 billion industry in 2010, representing approximately 21.0 million students enrolled at over 4,600 institutions. According to the National Center of Education Statistics, traditional students, who typically are recent high school graduates under 25 years of age and are pursuing their first higher education degree, represent approximately 61% of the national student population. The remaining 39% of the student population is comprised of non-traditional students, who are largely working adults pursuing further education in their current field or are preparing for a new career.

Although recently the industry as a whole has been challenged by state and federal regulatory pressures, negative media coverage, widespread enrollment declines and the overall negative impact of the current political and economic climate, there remain a number of factors that we believe should contribute to long-term demand for post-secondary education. The shift toward a services-based economy increases the demand for higher levels of education. Georgetown University's Center on Education and the Workforce published a research study titled "Help Wanted - Projections of Jobs and Education Requirements through 2018", based upon the U.S. Department of Labor - Bureau of Labor Statistics occupational employment projections. According to the study, jobs requiring an Associate's or higher level degree are expected to grow 28% to approximately 79 million jobs in 2018, while jobs requiring some or no college are expected to decrease 3%. Of the jobs in 2018 requiring higher education, approximately 45% are in occupation groups in which we provide education - business, healthcare, education, food preparation, legal, and arts, design and media. Additionally, economic incentives are favorable for post-secondary graduates. According to the U.S. Department of Labor — Bureau of Labor Statistics, in 2011 the median weekly earnings for individuals aged 25 years and older with a Bachelor's degree was approximately 65% higher than for high school graduates of the same age with no college experience, and the average unemployment rate in 2011 for persons aged 25 years and older with a Bachelor's degree was nearly half that of those without college experience. See Part I, Item 1A "Risk Factors – Risks Related to Our Highly Regulated Industry".

The post-secondary education industry is highly fragmented, with no one provider controlling a significant share of the market. Students choose among providers based on programs and degrees offered, program flexibility and convenience, quality of instruction, graduate employment rates, reputation and recruiting effectiveness. This multi-faceted market fragmentation results in significant differentiation among various education providers, limited direct competition and minimal overlap between proprietary providers. The main competitors of proprietary, post-secondary education providers are local public and private two-year junior and community colleges, traditional public and private undergraduate and graduate colleges and, to a lesser degree, other proprietary providers.

Although competition exits, proprietary educators serve a segment of the market for post-secondary education that we believe has not been fully addressed by traditional public and private universities. Non-profit public and private institutions can face limited financial capability to expand their offerings in response to growth or changes in the demand for education, due to a combination of state funding challenges, significant expenditures required for research and the professor tenure system. Certain private institutions also may control enrollments to preserve the perceived prestige and exclusivity of their degree offerings. In contrast, proprietary providers of post-secondary education offer potential students the greater flexibility and convenience of their schools' programmatic offerings and learning structure, an emphasis on applied content and an ability to consistently introduce new campuses and academic programs. At the same time, the share of the post-secondary education market that has been captured by proprietary providers remains relatively small. As a result, we believe that in spite of recent regulatory changes and other challenges facing the industry, proprietary, post-secondary education providers continue to have significant opportunities to address the demand for post-secondary education.

Statement of Operations

Our quarterly net revenues and income fluctuate primarily as a result of the pattern of student enrollments. Our first fiscal quarter is typically our lowest revenue recognition quarter due to student vacations.

The largest component of our net revenues is tuition collected from our students, which is presented in our statements of operations after deducting refunds, scholarships and other adjustments. The significant majority of our net revenues comes from various government-sponsored student finance programs. The two main drivers of our net revenues are average student population and tuition rates. Factors affecting our average student population include the number of continuing students attending our schools at the beginning of a period and the number of new students entering our schools during that period.

Net revenues primarily consist of tuition and fees, student housing fees, bookstore sales, restaurant sales in connection with culinary programs, workshop fees, and sales of related study materials. The amount of tuition revenue received from students varies based on the average tuition charge per credit hour, average credit hours taken per student, type of program, specific curriculum and average student population. Bookstore and housing revenues are largely a function of the average student population.

We believe that the size of our student population at our campuses is influenced by a number of factors. These include the number of individuals seeking post-secondary education, the attractiveness of our program offerings, the quality of the student experience, the length of the education programs, our overall educational reputation and the persistence of our students. Our net annual persistence rate, which measures the number of students who are enrolled during a fiscal year and either graduate or advance to the next fiscal year, for all of our students decreased to approximately 58.5% in fiscal 2012 as compared to approximately 60.2% in fiscal 2011 due primarily to the impact that a non-term academic structure had on our fully online students, the effect of a weak economy and the loss of the availability of PLUS program loans for certain of our students.

Historically, we have been able to pass along the rising cost of providing quality education through increases in tuition. Our ability to raise tuition in the future may be limited by the gainful employment regulations recently finalized by the U.S. Department of Education which is described below and limits the ability of students to obtain financing for tuition and fees in excess of their ability to obtain federally guaranteed loans, private loans, or make cash payments. Total tuition and fees can exceed the amounts of financial aid available for students under all available government-sponsored aid, including Title IV programs. We have increased the number of funding options available to students over the last several years due to significant decreases in the availability of private loans for students to cover this financing gap. Beginning in fiscal 2011, we extended the repayment period for some of the financing we make available to students to include periods of up to 36 months beyond graduation. This additional extension of credit has resulted in increases in bad debt expense during fiscal 2012 and may result in higher bad debt expense as a percentage of our net revenues in future periods if students continue to utilize this funding source. Average tuition rates increased by approximately 2% in fiscal 2012 and 4% in fiscal 2011.

Educational services expense consists primarily of costs related to the development, delivery and administration of our education programs. Major cost components are faculty compensation, salaries of administrative and student services staff, costs of educational materials, facility occupancy costs, bad debt expense and information systems costs.

General and administrative expense consists of marketing and student admissions expenses and certain central staff departmental costs such as executive management, finance and accounting, legal, corporate development and other departments that do not provide direct services to our students. We have centralized many of these services to gain consistency in management reporting, efficiency in administrative effort and cost control. With regard to the marketing component of our expenses, we have seen a change in the way we market to and attract inquiries from prospective students as the Internet continues to be an increasingly important way of reaching students. However, Internet inquiries, which generally cost less than leads from traditional media sources such as television and print, convert to applications at a lower rate than inquiries from traditional media sources.

Key Trends, Developments and Challenges

The following developments and trends present opportunities, challenges and risks to our business:

U.S. Department of Education Program Integrity Regulations have negatively impacted financial results in fiscal 2012 and will likely impact future results.

In November 2009, the U.S. Department of Education convened two negotiated rulemaking teams related to Title IV program integrity issues. The resulting program integrity rules promulgated in October 2010 and June 2011 address numerous topics. With the exception of the gainful employment metrics described below, the new regulations became effective on July 1, 2011. These rules have required us to change certain of our business practices, incur additional costs of compliance and of developing and implementing changes in operations, and have affected student recruitment and enrollment, resulted in changes in or elimination of certain educational programs and have other significant or material effects on our business. The final program integrity rules that we believe have had or will have the most significant potential impact on our business are the following:

- the quantitative gainful employment requirements;
- substantial revisions to the regulation governing the payment of incentive compensation to employees engaged in recruiting activities or the awarding of financial aid;
- determining when a program of study is required to measure student progress in clock hours;
- new requirements about what constitutes satisfactory state authorization for institutions to offer postsecondary education in a state; and
- the enhanced definition of "substantial misrepresentation" that could impose enhanced liability on institutions of higher education.

As more fully described in “Business – Student Financial Assistance – Program Integrity Regulations”, the gainful employment regulation established three annual, program-level metrics: debt repayment rate; debt-to-discretionary-income ratio; and debt-to-total-earnings ratio. If an academic program fails all three metrics in a year, the institution must disclose the amount by which the program missed the minimum acceptable performance and the institution’s plan to improve the program. If an academic program fails all three metrics in two out of three years, the institution must inform students in the failing program that their debts may be unaffordable and the program may lose eligibility, and must describe for students their available transfer options. If an academic program fails all three metrics in three out of four years, the academic program would become ineligible to participate in federal student financial aid programs for at least three years.

The gainful employment regulations were scheduled to go into effect July 1, 2012. However, on June 30, 2012 the U.S. District Court for the District of Columbia issued a decision in the *APSCU* case that vacated the program level metrics and remanded them to the U.S. Department of Education for further action. On July 6, 2012, the U.S. Department of Education issued an announcement acknowledging that the Court had vacated the repayment rate metric as well as the debt-to-income metrics that would have gone into effect on July 1, 2012. The announcement also noted that institutions are not required to comply with related regulations relating to gainful employment reporting requirements and adding new educational programs, but are required to comply with requirements to disclose certain information about educational programs. The Court's decision is subject to appeal by the U.S. Department of Education and could be modified or reversed on appeal. Moreover, the U.S. Department of Education could take further action to address the Court's concerns regarding the regulations and obtain approval to enforce the regulations, or the U.S. Department of Education could issue new regulations regarding gainful employment. We cannot predict what steps the U.S. Department of Education will take in response to the Court's decision, how long those steps will take, or whether those steps will result in the U.S. Department of Education being able to enforce the gainful employment regulations or issuing new regulations. We have implemented a number of initiatives to respond to the gainful employment rules, such as shorter programs and lowering the costs associated with a number of our programs and continue to do so despite the ruling in the *APSCU* case. However, certain of our programs will be unable to maintain eligibility to enroll students receiving Title IV funds or have restrictions placed upon program offerings as a result of not meeting prescribed metrics if the gainful employment regulations become effective in their current form. To the extent that our new programmatic offerings do not offset the loss of any of our current programs, the loss of students or restrictions on program eligibility could have a material adverse effect on our student population, business, financial condition, results of operations and cash flows.

Changes in the availability of PLUS program loans contributed to a reduction in new student projections at The Art Institutes and are likely to adversely impact both continuing and new students in fiscal 2013 and beyond.

Approximately 50% of the students attending schools included in The Art Institutes education system are considered dependents for Title IV program purposes. These traditional-age students often receive financial support from their parents to help pay for their education. As part of this support, parents often participate in the PLUS program, which allows parents of a dependent student to borrow an amount not to exceed the difference between the total cost of that student's education and other aid to which that student is entitled. PLUS program loans represented 12.4% and 12.8% of our net revenues in fiscal 2012 and fiscal 2011, respectively. However, during fiscal 2012 we believe that the U.S. Department of Education revised the underwriting criteria for PLUS program eligibility such that new PLUS program loans are not available to parents with respect to whom a creditor previously charged-off a loan because the creditor deemed the debt to be uncollectable. Though the U.S. Department of Education has not publicly announced this change, we first became aware of it in the fourth quarter of fiscal 2012 after investigating the reasons underlying a decrease in the number of students applying for school who subsequently enroll. While PLUS program loans for most of fiscal 2012 remained fairly consistent with fiscal 2011, students attending, or interested in attending, our schools experienced a significant decrease in PLUS loan approvals for the fourth quarter of fiscal 2012. For example, The Art Institutes experienced a 28% decrease in the number of students using PLUS program loans to fund a portion of their education expense in the fourth quarter of fiscal 2012 as compared to the prior year period. Although each of our education systems was affected by this change, it most significantly impacted The Art Institutes, which has a larger proportion of traditional-age students, who are the most likely to be impacted by changes to the PLUS program. This change in PLUS loan availability, along with continued economic pressures and a reluctance by parents to incur additional indebtedness, is expected to result in a significant decrease in the number of students using PLUS program loans to finance their education at our Art Institute schools, which will adversely impact the number of students attending those schools in the future. Additionally, we expect to extend a greater amount of credit for those Art Institute students who are denied PLUS program loans but who still enroll in school, which will likely result in higher bad debt expense as a percentage of revenues in future periods. Furthermore, we may experience similar declines with respect to GRAD PLUS program loans and related increases in bad debt expense in the future, which could impact each of our reportable segments. As a result of the changes in projected future cash flows primarily due to the changes in availability of PLUS program loans in the fourth quarter of fiscal 2012, we impaired goodwill at The Art Institutes' reporting unit. See "Use of Estimates and Critical Accounting Policies" below for further discussion.

Investigations of proprietary education institutions, student concerns over incurring debt and negative media have adversely impacted fiscal 2012 results at all of our reporting units.

Although we believe that there are a number of factors that should contribute to long-term demand for post-secondary education, recently the industry as a whole has been challenged by a number of factors, including the overall negative impact of the current political and economic climate. We and other proprietary post-secondary education providers have been subject to increased regulatory scrutiny and litigation in recent years. On July 30, 2012, Senator Tom Harkin, Chairman of the HELP Committee, and the majority staff of the HELP Committee released a report, "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success" which was drawn from hearings on the industry beginning in August 2010. While stating that proprietary colleges and universities have an important role to play in higher education and should be well-equipped to meet the needs of non-traditional students who now constitute the majority of the postsecondary educational population, the report was highly critical of these institutions. Additionally, a number of state Attorneys General have launched investigations into proprietary post-secondary institutions, including a number of our schools. We received subpoenas from the Attorneys General of Florida, Kentucky and New York in October 2010, December 2010 and August 2011, respectively, and the San Francisco, CA City Attorney in December 2011 in connection with investigations of our institutions and their business practices. These investigations, together with the *Washington qui tam* lawsuit in which the U.S. Department of Justice and Attorneys General from five states have intervened, have led to a significant amount of negative publicity for the proprietary education industry and our schools.

In addition to the investigations and political climate, due to the effects of the current economic climate many prospective students are unable to make cash payments towards their education. Recently, there has been a significant amount of negative publicity surrounding the incurrence of excessive debt to pay for a post-secondary education. On July 19, 2012, the CFPB and the U.S. Department of Education issued a report describing what they characterized as risky practices in the private student loan market over the past ten years, among other things. According to the CFPB's estimates, outstanding student loan debt in the United States exceeded $1 trillion in 2011, with $864 billion of federal student debt and $150 billion of private student loan debt. A number of media outlets have published stories linking student loan indebtedness to the recent mortgage loan crisis. We believe that the negative publicity surrounding student indebtedness, together with the inability of students to pay cash for their education and the effect of the numerous investigations of the proprietary post-secondary industry, has led to a reluctance in a number of prospective students to enroll in our schools.

Declines in online enrollment have adversely impacted South University and Argosy University's financial results in fiscal 2012, which may continue into the future.

Students enrolled in fully online programs are often non-traditional aged students who must balance work and family responsibilities while attending school. We believe that, recently, these students have been impacted more significantly by the prolonged nature of the current economic downturn. Additionally, we believe that competition for fully online students has increased over the last several years as more institutions, including public and private institutions, offer fully online programs and that, in general, interest in our programs has been adversely affected by the substantial negative media coverage of our business and industry. These external factors, as well as changes that we have made to our online academic programs, such as the shift to a non-term academic structure for our fully online programs at Argosy University and South University have led to reduced growth and profitability. During fiscal 2012, average student enrollment in our fully online programs represented approximately 16%, 40% and 69% of total average student enrollment for The Art Institutes, Argosy University and South University reportable segments, respectively.

Potential Changes to 90/10 Rule could impact financial results in fiscal 2013 and beyond.

Various legislative proposals have been introduced in Congress that would heighten the requirements of the 90/10 Rule. For example, in May 2012, attorneys general from 21 states and a chief consumer-affairs official for another state sent a letter to the leaders of the House and Senate education and veterans-affairs committees requesting that they revise the 90/10 rule so that GI Bill and other educational benefits for military veterans count toward the 90-percent cap on the amount of annual revenue a proprietary college may receive from federal student-aid programs. The Protecting Our Students and Taxpayers Act was introduced in the U.S. Senate and, if adopted, would reduce the 90% maximum under the rule to the pre-1998 level of 85%, cause tuition derived from Title IV programs for military personnel to be included in the 85% portion under the rule instead of the 10% portion as is the case today, and impose Title IV ineligibility after one year of noncompliance rather than two. If this or other revisions are made to the 90/10 Rule, we would have to make material changes to our business to remain eligible to participate in Title IV programs, which could materially and adversely affect our business. In addition, reductions in state-funded student financial aid programs also could adversely impact our compliance with the 90/10 Rule, because tuition revenue derived from such programs is included in the 10% portion of the rule calculation.

Due to the impact of the foregoing factors, our net revenues and average student population declined in fiscal 2012, and we anticipate these factors will continue to impact us in fiscal 2013. Additionally, the foregoing factors have resulted in our business becoming less predictable.

Results of Operations

The following table sets forth for the periods indicated the percentage relationship of certain statements of operations items to net revenues.

Amounts expressed as a percentage of net revenues

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Fiscal Year Ended June 30,		
	2012	2011	2010
Net revenues	100.0 %	100.0%	100.0%
Costs and expenses:			
Educational services	54.5 %	51.3%	50.5%
General and administrative	27.6 %	26.3%	26.6%
Management fees paid to affiliates	— %	—%	1.3%
Depreciation and amortization	5.7 %	5.1%	4.9%
Goodwill and indefinite-lived intangible asset impairments	63.3 %	—%	—%
Total costs and expenses	151.1 %	82.7%	83.3%
(Loss) income before interest, loss on extinguishment of debt and income taxes	(51.1)%	17.3%	16.7%
Interest expense, net	4.0 %	4.2%	4.8%
Loss on extinguishment of debt	0.3 %	0.4%	1.9%
(Loss) income before income taxes	(55.4)%	12.7%	10.0%
Provision for income taxes (benefit) expense	(0.5)%	4.8%	3.3%
Net (loss) income	(54.9)%	7.9%	6.7%

Year Ended June 30, 2012 (Fiscal 2012) Compared with the Year Ended June 30, 2011 (Fiscal 2011)

All basis point changes are presented as a change in the percentage of net revenues in each year of comparison.

Net revenues

Net revenues decreased 4.4% to $2.76 billion in fiscal 2012, compared to $2.89 billion in fiscal 2011. Average student enrollment decreased by approximately 8,700 students, or 5.7%, to 142,100 students in fiscal 2012. We derived approximately 93.1% and 92.5% of our net revenues from tuition and fees paid by, or on behalf of, our students in fiscal 2012 and 2011, respectively. Partially offsetting the decrease in average student enrollment was a tuition rate increase of approximately 2% in fiscal 2012 compared to fiscal 2011.

Net revenues from bookstore sales, which include supplies and other items, decreased by 19.0% to $85.2 million in fiscal 2012, compared to $105.2 million in fiscal 2011 due primarily to a reduction to the cost of supply kits purchased by students. Net housing revenues remained relatively flat at $87.5 million in fiscal 2012 compared to $88.7 million in fiscal 2011.

Educational services expense

Educational services expense increased by $23.6 million, or 1.6%, to $1,504.4 million in fiscal 2012. As a percentage of net revenues, educational services expense increased by 321 basis points due primarily to decreases in average class size due to lower average student enrollment compared to the prior fiscal year and the resulting loss of operating leverage.

Salaries and benefits expenses plus third party costs related to the outsourcing of facilities management at The Art Institutes education system increased 261 basis points as a percentage of net revenues compared to fiscal 2011. In addition, bad debt expense was $163.9 million, or 5.9% of net revenues, in the current fiscal year compared to $134.6 million, or 4.7% of net revenues, in the prior year, which represented an increase of 128 basis points. The increase in bad debt expense as a percentage of net revenues was primarily due to larger receivable balances as a result of higher delinquency rates and continued extension of credit to our students along with an increase in the proportion of our receivables from out-of-school students, which are reserved for at a higher rate than receivables from in-school students. Our extension of credit to students may continue to result in higher bad debt expense as a percentage of net revenues in future periods. Rent expense associated with school locations increased 22 basis points as a percentage of net revenues compared to the prior fiscal year due to the loss of operating leverage.

Partially offsetting the above increases was a decrease of 74 basis points due to our recording a $21.5 million fair value loss in fiscal 2011 related to the Education Finance Loan program, which we ultimately sold to an unrelated third party in April 2011. The remaining net decrease of 16 basis points in the current fiscal year relates to other items, none of which was individually significant.

General and administrative expense

General and administrative expense was $760.8 million in the current fiscal year, which is essentially flat against the $759.0 million of general and administrative expense in the prior fiscal year. As a percentage of net revenues, general and administrative expense increased 127 basis points compared to the prior fiscal year. Marketing and admissions costs were 23.2% of net revenues in the current fiscal year compared to 22.4% of net revenues in the prior fiscal year, an increase of 78 basis points. These costs increased in the current fiscal year as a percentage of net revenues primarily due to a decline in the percentage of prospective students who ultimately enrolled at one of our schools. Salaries and benefits expense related to other personnel also increased by 69 basis points, approximately half of which was due to non-recurring severance and restructuring costs incurred during the year to date period, with the remainder due primarily to a decrease in operating leverage due to lower student enrollment year over year. In addition, we recorded a $4.2 million benefit in the prior year due to the favorable outcome of a state capital tax matter, which resulted in a 15 basis point increase in fiscal 2012 compared to the prior year.

Partially offsetting the above increases were reductions of 39 basis points in legal and consulting costs as a percentage of net revenues. The remaining net increase of four basis points in the current fiscal year relates to other items, none of which was individually significant.

Depreciation and amortization

Depreciation and amortization on long-lived assets was $158.6 million in the current fiscal year compared to $146.5 million in fiscal 2011, an increase of 8.3% from the prior fiscal year. As a percentage of net revenues, depreciation and amortization expense increased by 67 basis points in fiscal 2012 primarily due to lower net revenues in fiscal 2012 compared to the prior year.

Goodwill and indefinite-lived intangible asset impairments

During the year ended June 30, 2012, we determined that each of our four reporting units had indicators of impairment due primarily to current and projected future enrollment trends and a decline in market capitalization related to our common stock. Accordingly, we updated our future cash flow projections for all reporting units and evaluated the carrying amount of goodwill at each reporting unit at March 31, 2012 and June 30, 2012 for impairment. The results of the impairment tests indicated that all of our reporting units had carrying values in excess of their respective estimated fair values. Therefore, we recorded goodwill impairment charges of $1,123.1 million, $155.9 million, $254.6 million and $84.9 million at The Art Institutes, Argosy University, Brown Mackie Colleges and South University, respectively. As a result of the impairment charges described above, total goodwill decreased from $2.6 billion at June 30, 2011 to $1.0 billion at June 30, 2012.

In addition, as part of the aforementioned goodwill impairment tests, we revalued The Art Institutes trade name and the licensing, accreditation and Title IV program participation assets for all reporting units at March 31, 2012 and June 30, 2012. This process resulted in impairments of $112.0 million to The Art Institutes' trade name and $16.3 million to our licensing, accreditation and Title IV program participation assets.

Interest expense, net

Net interest expense was $110.3 million in the current fiscal year, a decrease of $10.4 million, or 8.6%, from the prior fiscal year. The decrease in net interest expense in fiscal 2012 is primarily related to lower fixed expense related to our interest rate swaps and the retirement of the remaining $47.7 million of our 10.25% senior subordinated notes due 2016 ("Senior Subordinated Notes") in June 2011, partially offset by higher variable interest rates and letter of credit fees following the amendments to our senior secured credit facility in December 2010 and March 2012.

Loss on extinguishment of debt

On March 30, 2012, we completed a refinancing of the $348.6 million portion of the $1.1 billion term loan under our senior secured credit facility that was due to expire in June 2013 by replacing it with $350.0 million of new term debt under the same credit agreement. The amendment was accounted for as an extinguishment of the original term loan. As a result, we recorded a loss on extinguishment of debt of $9.5 million in the current fiscal year. This loss was comprised of $2.0 million of previously deferred financing fees that were being amortized through June 2013 and $7.5 million in fees paid to lending institutions to complete the refinancing.

During the fiscal year ended June 30, 2011, we recorded losses of $11.4 million related to our debt. These losses were comprised of a $3.0 million loss on the extinguishment of the remaining $47.7 million of our Senior Subordinated Notes and an $8.4 million loss related to the amendment of our senior secured credit facility in December 2010.

Provision for income taxes

Our effective tax rate was a benefit of 0.9% for the current fiscal year. The effective tax rate in the current fiscal year was significantly impacted by goodwill and indefinite-lived intangible asset impairment charges. Of the total $1,746.8 million impairment charge recorded in fiscal 2012, $1,501.5 million related to goodwill recorded as part of the Transaction, which was not deductible for tax purposes because it did not have a tax basis. The remaining impairment charge of $245.3 million resulted in a deferred tax benefit because it related to goodwill and intangible assets where tax basis did exist. After adjusting for the impact of the impairment charges, our effective tax rate would have been 38.1% in the current fiscal year compared to 37.8% in fiscal 2011.

The effective tax rates differed from the combined federal and state statutory rates primarily due to accounting related to uncertain tax positions, valuation allowances, and expenses that are non-deductible for tax purposes.

Year Ended June 30, 2011 (Fiscal 2011) Compared with the Year Ended June 30, 2010 (Fiscal 2010)

All basis point changes are presented as a change in the percentage of net revenues in each year of comparison.

Net revenues

Net revenues for fiscal 2011 increased 15.1% to $2.89 billion, compared to $2.51 billion in fiscal 2010. Average student enrollment increased by approximately 18,900 students, or 14.3%, to 150,800 students in fiscal 2011 due primarily to the opening of new school locations, the growth in our fully online programs and the introduction of new academic programs. None of the growth resulted from the acquisitions of educational institutions. In addition, tuition rates increased approximately 4% in fiscal 2011 compared to fiscal 2010. These factors were partially offset by a lower average credit load taken by students in fiscal 2011 primarily due to the growth in the number of students enrolled in fully online programs, in which students typically take a lesser credit load. We derived approximately 92.5% of our net revenues from tuition and fees paid by, or on behalf of, our students in fiscal 2011 and 2010.

Net revenues from bookstore sales, which include supplies and other items, grew in line with our average student population to $105.2 million in fiscal 2011 compared to $87.2 million in fiscal 2010, an increase of 20.7%. Net housing revenues also increased by 9.8%, to $88.7 million, in fiscal 2011 compared to fiscal 2010.

Educational services expense

Educational services expense increased by $213.7 million, or 16.9%, to $1,480.8 million in fiscal 2011 compared to fiscal 2010 due primarily to the incremental costs incurred to support higher student enrollment. As a percentage of net revenues, educational services expense increased by 77 basis points.

During fiscal 2011 we recognized $21.5 million of expense in fair value adjustments related to our Education Finance Loan portfolio. These fair value adjustments accounted for an increase of 74 basis points in educational services expense from the prior year period. After adjusting for fair value adjustments to the Education Finance Loan portfolio, educational services expense increased by three basis points in fiscal 2011 compared to fiscal 2010. Bad debt expense, which excludes fair value adjustments to Education Finance Loans, was $134.6 million, or 4.7% of net revenues, in fiscal 2011 compared to $105.6 million, or 4.2% of net revenues, in fiscal 2010, which represented an increase of 45 basis points. The increase in bad debt expense as a percentage of net revenues was primarily due to larger receivable balances as a result of our assistance with students' cost of education through extended credit terms, higher delinquency rates and an increase in the proportion of our receivables from out-of-school students, which are reserved for at a higher rate than receivables from in-school students.

Partially offsetting the above increase was a decrease in rent expense of 34 basis points as a percentage of net revenues associated with our schools. Rent expense was $182.4 million in fiscal 2011 and $167.1 million in fiscal 2010. The remaining net decrease of eight basis points in fiscal 2011 was primarily the result of decreases in other items, none of which was individually significant.

General and administrative expense

General and administrative expense was $759.0 million in fiscal 2011, an increase of 13.8% from $667.2 million in fiscal 2010. As a percentage of net revenues, general and administrative expense decreased 31 basis points compared to the prior fiscal year. During fiscal 2010, we incurred non-cash equity-based compensation expense of $13.4 million in connection with the initial public offering. This expense was previously deferred due to the existence of certain conditions associated with employee stock options which were removed upon the completion of the initial public offering. We also incurred $1.0 million of legal costs and other fees associated with the repurchase of our 10.25% senior subordinated notes due 2016 (the "Senior Subordinated Notes") in the second and third fiscal quarters of fiscal 2010.

After adjusting for the costs described above, general and administrative expense increased by 26 basis points in fiscal 2011 compared to fiscal 2010. Marketing and admissions costs were 22.4% of net revenues in fiscal 2011 compared to 22.2% of net revenues in fiscal 2010, an increase of 21 basis points. As a result of the current regulatory environment, legal and consulting costs increased 37 basis points in fiscal 2011 compared to fiscal 2010. Partially offsetting the above increases was a $4.2 million benefit from the favorable outcome of a state capital tax matter, representing a decrease of 15 basis points. The remaining net decrease of 17 basis points in fiscal 2011 was primarily the result of decreases in other items, none of which was individually significant.

Management fees paid to affiliates

In fiscal 2010, management fees paid to affiliates of $32.1 million consisted of the pro-rata portion of a $5.0 million annual fee paid to the Sponsors through December 31, 2009 under an agreement executed in connection with the Transaction and a non-recurring fee of $29.6 million that was paid to terminate the agreement at the time of the initial public offering.

Depreciation and amortization

Depreciation and amortization on long-lived assets was $146.5 million in fiscal 2011, an increase of 18.7% from fiscal 2010. As a percentage of net revenues, depreciation and amortization expense increased by 16 basis points compared to fiscal 2010. The increase in depreciation and amortization as a percentage of net revenues was primarily due to the effect of a full year of amortization from assets placed into service in the latter half of fiscal 2010.

Interest expense, net

Net interest expense was $120.7 million in fiscal 2011, a decrease of $0.8 million from fiscal 2010. The decrease in net interest expense was primarily related to the early retirement in October 2009 of substantially all of the Senior Subordinated Notes, partially offset by higher interest rates and letter of credit fees following the amendment to our senior secured credit facility in December 2010.

Loss on extinguishment of debt

During the fiscal 2011, we recorded losses of $11.4 million related to our debt. These losses were comprised of a $3.0 million loss on the extinguishment of the remaining $47.7 million of the Senior Subordinated Notes in June 2011 and an $8.4 million loss related to the amendment of our senior secured credit facility in December 2010.

In fiscal 2010, we recorded a loss of $47.2 million upon the early retirement of $337.3 million of our Senior Subordinated Notes. This loss was comprised of a premium of $41.6 million over face value to repurchase the Senior Subordinated Notes and accelerated amortization on the prorated portion of deferred financing costs related to these notes of $5.6 million.

Provision for income taxes

Our effective tax rate was 37.8% in fiscal 2011 as compared to 32.6% in fiscal 2010. The fiscal 2010 effective tax rate was lower than the rate in fiscal 2011 primarily due to the reversal of $17.9 million of uncertain tax liabilities during fiscal 2010 upon the expiration of statutes of limitation from fiscal 2006, partially offset by a $3.6 million reversal of uncertain tax liabilities in fiscal 2011 due to the expiration of statutes of limitation from fiscal 2007.

The effective tax rates differed from the combined federal and state statutory rates primarily due to accounting related to uncertain tax positions, valuation allowances, and expenses that are non-deductible for tax purposes.

Analysis of Operating Results by Reportable Segment

Each of our 109 schools provides student-centered education. Our schools are organized and managed to capitalize on recognized brands and align them with specific targeted markets based on field of study, employment opportunity, type of degree offering and student demographics, and our operations are organized into four corresponding reportable segments:

- *The Art Institutes.* The Art Institutes focus on applied arts in creative professions such as graphic design, culinary arts, media arts and animation, interior design, web site development, digital filmmaking and video production, fashion design and marketing and game art and design. The Art Institutes offer Associate's, Bachelor's and Master's degree programs, as well as selective non-degree diploma programs. Students pursue their degrees through local campuses, fully online programs through The Art Institute of Pittsburgh, Online Division and blended formats, which combine on campus and online education. As of June 30, 2012, there were 51 Art Institutes campuses in 25 U.S. states and in Canada included in this reportable segment. As of October 2011, students enrolled at The Art Institutes represented approximately 53% of our total enrollments.

- *Argosy University.* Argosy University offers academic programs in psychology and behavioral sciences, business, education and health sciences disciplines. Argosy University offers Doctoral, Master's and undergraduate degrees through local campuses, fully online programs and blended formats. Argosy University's academic programs focus on graduate students seeking advanced credentials as a prerequisite to initial licensing, career advancement and/or structured pay increases. As of June 30, 2012, there were 20 Argosy University schools in 13 U.S. states included in this reportable segment. As of October 2011, students enrolled at Argosy University represented approximately 19% of our total enrollments. This segment includes Western State College of Law, which offers Juris Doctor degrees, and the Ventura Group, which provides courses and materials for post-graduate licensure examinations in the human services fields and continuing education courses for K-12 educators.

- *Brown Mackie Colleges.* Brown Mackie Colleges offer flexible Associate's and non-degree diploma programs that enable students to develop skills for entry-level positions in high demand vocational specialties and Bachelor's degree programs that assist students to advance within the workplace. Brown Mackie Colleges offer programs in growing fields such as medical assisting, criminal justice, nursing, business, legal support and information technology. As of June 30, 2012, there were 28 Brown Mackie College campuses in 15 U.S. states included in this reportable segment. As of October 2011, students enrolled at Brown Mackie Colleges represented approximately 13% of our total enrollments.

- *South University.* South University offers academic programs in health sciences and business disciplines, including business administration, criminal justice, nursing, information technology, psychology, pharmacy and medical assisting. South University offers Doctoral, Master's, Bachelor's and Associate's degrees through local campuses, fully online programs and blended formats. As of June 30, 2012, there were ten South University campuses in eight U.S. states included in this reportable segment. As of October 2011, students enrolled at South University represented approximately 15% of our total enrollments.

Student information by segment was as follows:

	For the Fiscal Year Ended June 30,		
	2012	**2011**	**2010**
Average student enrollment:			
The Art Institutes	75,000	79,000	72,700
Argosy University	27,500	29,700	23,900
Brown Mackie Colleges	19,100	21,100	18,700
South University	20,500	21,000	16,700
Total EDMC	142,100	150,800	132,000
New students:			
The Art Institutes	56,200	63,500	61,400
Argosy University	18,600	24,600	20,400
Brown Mackie Colleges	16,900	20,100	21,200
South University	27,600	32,300	22,900
Total EDMC	119,300	140,500	125,900

EBITDA excluding certain expenses, the measure used by the chief operating decision maker to evaluate segment performance and allocate resources, is defined as net income before interest expense, net, provision for income taxes, depreciation and amortization and certain expenses. EBITDA excluding certain expenses is not a recognized term under GAAP and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, EBITDA excluding certain expenses is not intended to be a measure of free cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Management believes EBITDA excluding certain expenses is helpful in highlighting trends because EBITDA excluding certain expenses excludes the results of decisions that are outside the control of operating management and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, this presentation of EBITDA excluding certain expenses may not be comparable to similarly titled measures of other companies. Adjustments to reconcile segment results to consolidated results are included under the caption "Corporate and other," which primarily includes unallocated corporate activity. See Item 8 – "Financial Statements and Supplementary Data," Note 18, "Segments" for a reconciliation of EBITDA excluding certain expenses by reportable segment to consolidated income before income taxes.

Net revenues and EBITDA excluding certain expenses by segment were as follows for fiscal 2012, 2011 and 2010 (in millions):

	For the Fiscal Year Ended June 30,		
	2012	2011	2010
Net revenues:			
The Art Institutes	$ 1,738.5	$ 1,791.2	$ 1,597.0
Argosy University	397.5	431.1	344.4
Brown Mackie Colleges	314.8	348.1	301.9
South University	310.2	317.2	265.2
Total EDMC	$ 2,761.0	$ 2,887.6	$ 2,508.5
EBITDA excluding certain expenses: (1)			
The Art Institutes	$ 477.5	$ 531.2	455.2
Argosy University	56.7	97.5	66.3
Brown Mackie Colleges	62.0	96.7	98.1
South University	4.8	38.4	50.7
Corporate and other (2)	(91.1)	(102.2)	(76.6)
Total EDMC	$ 509.9	$ 661.6	$ 593.7

(1) EBITDA excluding certain expenses excludes goodwill and indefinite-lived intangible asset impairments explained in Item 8 – "Financial Statements and Supplementary Data, Note 5, "Goodwill and Intangible Assets". Additionally, depreciation and amortization expense is excluded, which was as follows for The Art Institutes, Argosy University, Brown Mackie Colleges and South University, respectively, in each of the fiscal years presented:
Fiscal 2012: $79.6 million, $17.8 million, $24.2 million and $12.8 million
Fiscal 2011: $76.5 million, $17.6 million, $18.7 million and $11.4 million
Fiscal 2010: $69.7 million, $15.3 million, $11.9 million and $8.8 million

(2) Adjustments to reconcile segment results to consolidated results are included under the caption "Corporate and Other," which primarily includes unallocated corporate activity.

Year Ended June 30, 2012 (Fiscal 2012) Compared with the Year Ended June 30, 2011 (Fiscal 2011)

All basis point changes are presented as a change in the percentage of net revenues in each year of comparison.

<u>The Art Institutes</u>

Net revenues decreased 2.9% to $1,738.5 million in fiscal 2012 from fiscal 2011 due primarily to an average student enrollment decrease of 5.2%, or approximately 4,000 students. In addition, new student enrollment in fiscal 2012 compared to fiscal 2011 decreased by 11.7% to approximately 56,200 students. The decrease in average and new student enrollment was primarily the result of the factors described under "Key Trends, Developments and Challenges" above. Partially offsetting the decrease in average student enrollment was an increase in the average registered credits taken by enrolled students in fiscal 2012 compared to fiscal 2011.

Across The Art Institutes, the volume of applications for our campus-based programs did not change materially in fiscal 2012 compared to fiscal 2011, but the volume of applications for fully online programs at The Art Institute of Pittsburgh - Online Division declined. The rate at which students who completed an application actually enrolled in one of our programs, which we refer to as our "start rate," declined for both campus based and fully online programs at The Art Institutes compared to fiscal 2011.

These decreases in enrollment and net revenues contributed to the 10.1% decrease in EBITDA excluding certain expenses to $477.5 million at The Art Institutes in fiscal 2012 compared to the prior fiscal year. In addition to the revenue decreases, we experienced margin degradation due to continued loss of operating leverage and through higher bad debt expense as a percentage of revenues, principally from the extension of credit to students enrolled at The Art Institutes.

<u>Argosy University</u>

Net revenues decreased 7.8% to $397.5 million in fiscal 2012 compared to fiscal 2011 due primarily to an average student enrollment decrease of 6.9%, or approximately 2,200 students. In addition, new student enrollment in fiscal 2012 compared to fiscal 2011 decreased by 24.0% to approximately 18,600 students. The decreases in average and new student enrollment were primarily the result of fewer new students enrolling in Argosy University's fully online courses, which is a negative trend we described under "Key Trends, Developments and Challenges" above. Partially offsetting the decrease in average student enrollment was an increase in the average credits taken by enrolled students in fiscal 2012 compared to fiscal 2011 and a tuition rate increase of approximately 3% in fiscal 2012 compared to fiscal 2011.

Argosy University experienced declines in application volume for both campus based and fully online programs in fiscal 2012 compared to fiscal 2011, with start rates and student persistence declining significantly year over year, driven in part by the change to a non-term academic structure for Argosy University's fully online programs.

The above decreases in enrollment and net revenues contributed to the 41.9% decrease in EBITDA excluding certain expenses to $56.7 million at Argosy University in fiscal 2012 compared to the prior fiscal year. Additionally, incremental expenses associated with the change to a non-term academic structure for fully online programs continued to adversely impact operating leverage.

Brown Mackie Colleges

Net revenues decreased 9.6% to $314.8 million in fiscal 2012 compared to fiscal 2011 due primarily to an average student enrollment decrease of 9.3%, or approximately 2,000 students. In addition, new student enrollment in fiscal 2012 compared to fiscal 2011 also decreased by 15.6% to approximately 16,900 students. The decrease in average and new student enrollment was primarily the result of the factors described under "Key Trends, Developments and Challenges" above. Due to the nature of its programs and the composition of its student body, Brown Mackie Colleges was negatively affected by the recent economic downturn more significantly than our other segments and, due to ongoing economic stagnation has not recovered at the rate previously anticipated. Partially offsetting the decrease in average student enrollment was a tuition rate increase of approximately 4% in fiscal 2012 compared to fiscal 2011.

The above decreases in enrollment and net revenues contributed to the 35.9% decrease in EBITDA excluding certain expenses to $62.0 million at Brown Mackie Colleges in fiscal 2012 compared to the prior fiscal year. Substantially all of this decrease can be attributed to the decrease in net revenues at Brown Mackie Colleges year over year and the corresponding loss of operating leverage.

South University

Net revenues decreased 2.2% to $310.2 million in fiscal 2012 compared to fiscal 2011 due primarily to a decline in average student enrollment of 2.3%, or approximately 500 students. In addition, new student enrollment in fiscal 2012 also decreased by 14.5% compared to fiscal 2011 to approximately 27,600 students. The decreases in average and new student enrollments were primarily the result of fewer new students enrolling in South University's fully online programs, which is a negative trend we described under "Key Trends, Developments and Challenges" above. Partially offsetting the decrease in average student enrollment was a tuition rate increase of approximately 5% in fiscal 2012 compared to fiscal 2011.

South University experienced both application volume and start rate increases for campus-based programs, primarily due to new campus openings, in fiscal 2012 compared to fiscal 2011. However, application volume and start rates for fully online students at South University declined year over year, driven in part by the change to a non-term academic structure.

The above decreases in enrollment and net revenues contributed to a decrease in South University's EBITDA excluding certain expenses from $38.4 million in fiscal 2011 to $4.8 million in fiscal 2012. Additionally, incremental expenses associated with the change to a non-term academic structure for fully online programs continue to adversely impact operating leverage.

Year Ended June 30, 2011 (Fiscal 2011) Compared with the Year Ended June 30, 2010 (Fiscal 2010)

All basis point changes are presented as a change in the percentage of net revenues in each year of comparison.

The Art Institutes

Net revenues increased 12.2% to $1,791.2 million in fiscal 2011 compared to fiscal 2010 due primarily to an average student enrollment increase of 9.0%, or approximately 6,300 students. In addition, new student enrollment increased in fiscal 2011 by 3.4% compared to fiscal 2010 to approximately 63,500 students. The increase in average and new student enrollment was primarily the result of opening new school locations and the introduction of new academic programs. The Art Institutes also had a tuition rate increase of approximately 4% in fiscal 2011 compared to fiscal 2010.

Across The Art Institutes, application volume for campus-based programs increased slightly in fiscal 2011 compared to fiscal 2010, while applications for fully online programs at The Art Institute of Pittsburgh - Online Division decreased. Start rates decreased in fiscal 2011 compared to fiscal 2010.

The above increases in enrollment and net revenues contributed to the 16.7% increase in EBITDA excluding certain expenses to $531.2 million at The Art Institutes in fiscal 2011 compared to fiscal 2010.

Argosy University

Net revenues increased 25.2% to $431.1 million in fiscal 2011 compared to fiscal 2010 due primarily to an average student enrollment increase of 24.1%, or approximately 5,800 students. In addition, new student enrollment in fiscal 2011 increased by 21.1% compared to fiscal 2010 to approximately 24,600 students. The increases in average and new student enrollment were primarily the result of growth in Argosy University's fully online programs. Argosy University also had a tuition rate increase of approximately 2% in fiscal 2011 compared to fiscal 2010.

Argosy University also had application volume and start rate improvements at in fiscal 2011 compared to fiscal 2010 due primarily to strong demand for Argosy University's fully online programs. However, student persistence decreased significantly in fiscal 2011 compared to fiscal 2010.

The above increases in enrollment and net revenues contributed to the 46.9% increase in EBITDA excluding certain expenses in fiscal 2011 compared to fiscal 2010 to $97.5 million at Argosy University in fiscal 2011. Substantially all of this increase can be attributed to the increase in net revenues at Argosy University year over year.

Brown Mackie Colleges

Net revenues increased 15.3% to $348.1 million in fiscal 2011 compared to fiscal 2010 on average student enrollment of 21,100, an increase of 12.5%, or approximately 2,400 students, compared to the prior year, as well as a tuition rate increase of approximately 8% in fiscal 2011 compared to fiscal 2010. The increase in average student enrollment period to period was primarily due to the opening of a total of six new school locations in fiscal 2009 and 2010. Despite the increase in average student enrollment, new student enrollment in fiscal 2011 compared to fiscal 2010 decreased by 5.2% to 20,100 students.

EBITDA excluding certain expenses did not change materially year over year, as it was $96.7 million in fiscal 2011 and $98.1 million in fiscal 2010 compared to the increase in revenue noted above primarily due to the higher investments needed to support schools that recently opened, as newer schools generally do not achieve margins as high as those of more mature schools.

South University

Net revenues increased 19.6% to $317.2 million in fiscal 2011 on average student enrollment of 21,000, an increase of 25.5%, or approximately 4,300 students, compared to the prior year. Higher student volume in fiscal 2011 were partially offset by pricing mix shift due to the growth in fully online program enrollment. New student enrollment in fiscal 2011 compared to fiscal 2010 increased by 40.9% to 32,300 students. The increases in both new student and average enrollment were primarily due to the growth in South University's online programs and the introduction of new programs across South University campuses. South University had a tuition rate increase of approximately 3% in fiscal 2011 compared to fiscal 2010.

While start rates declined year over year, South University continued to experience demand across all areas of study and degree offerings, as evidenced by both a higher number of applications and new student enrollment for campus-based and fully online programs.

EBITDA excluding certain expenses decreased 24.4% to $38.4 million in fiscal 2011 compared to fiscal 2010. The decrease in EBITDA excluding certain expenses is due primarily to higher bad debt expenses and incremental costs associated with the change to a non-term academic structure for fully online programs.

Liquidity and Funds of Capital Resources

We finance our operating activities primarily from cash generated from operations, and our primary source of cash is tuition collected from our students. Most of the students at our U.S. schools rely, at least in part, on financial assistance programs to pay for their education, the most significant of which are federal student aid programs under Title IV of the HEA. We believe that cash flow from operations, supplemented from time to time with borrowings under our revolving credit facility, will provide adequate funds for ongoing operations, planned capital expenditures and debt service during the next twelve months.

Operating cash flows

Cash used in operating activities for the fiscal year ended June 30, 2012 was $(10.9) million, compared to $399.7 million of cash provided by operating activities in fiscal 2011. This decrease in operating cash flow was primarily the result of a transfer in March 2012 of $210.0 million to restricted cash in order to utilize our cash secured letter of credit facilities, which are being used to help satisfy a $414.5 million letter of credit with the U.S. Department of Education. Reduced operating performance and growth in student receivables also negatively impacted cash flow from operations in fiscal 2012 as compared to the prior fiscal year.

During fiscal 2012, we entered into two cash secured letter of credit facilities pursuant to which the lenders agreed to issue letters of credit to the U.S. Department of Education in an aggregate face amount of up to $200.0 million. Our obligations with respect to such letters of credit are secured by liens in favor of the lenders on certain of our cash deposits, which must total at least 105% of the aggregate face amount of any outstanding letters of credit. As discussed above, we fully utilized both cash secured letter of credit facilities in March 2012 in connection with the issuance of the required letters of credit to the U.S. Department of Education and, accordingly, transfered $210.0 million to restricted cash to collateralize the letters of credit.

The extent to which we extend credit to our students has increased over the last several years due to decreases in availability of private loans for students. We expect this trend to worsen in the future as a result of decreased availability of PLUS program loans as explained under "Key Trends, Developments and Challenges" above. We extend credit to students to help fund the difference between our total tuition and fees and the amount covered by other sources, including amounts awarded under Title IV programs, private loans obtained by students, and cash payments by students. Beginning in fiscal 2011, we extended the repayment period for some of the financing we make available to students to include periods of up to 36 months beyond graduation. This additional extension of credit has contributed to the increase in bad debt expense as a percentage of our net revenues to 5.9% in fiscal 2012 compared to 4.7% in fiscal 2011. The total amount of receivables that extend beyond twelve months approximated $18.6 million at June 30, 2011 and $34.8 million at June 30, 2012; if students continue to utilize this funding source, our bad debt expense as a percentage of revenue will likely continue to increase. Because the extended payment plans are not federal student loans, these plans will not directly affect our published federal student loan cohort default rates. However, these extended credit terms may have an indirect negative impact on the federal student loan cohort default rates because the students effectively may have more total debt upon graduation.

Our student receivables balance reaches a peak immediately after the billing of tuition and fees at the beginning of each academic period. We collect the majority of these receivables at or near the start of each academic period when we receive federal financial aid proceeds and cash payments from continuing students. Because the academic terms of our programs do not all coincide with our quarterly reporting periods, we may have quarterly fluctuations in cash receipts, reported net cash flow from operations, net accounts receivable, unearned tuition and advance payment balances. For the three months and twelve months ended June 30, 2012, there were no significant changes to the start dates of academic terms in session as compared to the prior year period.

We accrued $4.5 million at June 30, 2012 for uncertain tax positions, excluding interest and the indirect benefits associated with state income taxes. We may have cash payments in future periods relating to the amount accrued if we are ultimately unsuccessful in defending these uncertain tax positions. However, we cannot reasonably predict at this time the future period in which these payments may occur, if at all.

Direct Loan Programs and Private Student Loans

We collected the substantial majority of our consolidated net revenues during fiscal 2012 from the receipt by students of Title IV financial aid program funds. On a consolidated basis, cash received from students attending our institutions from Title IV programs represented approximately 73% of our total cash receipts during fiscal 2012. These receipts include $515.8 million of stipends, or receipts by students of financing in excess of tuition and fees paid to our institutions and used for living and other expenses incurred while attending school, which are not included in our consolidated net revenue. For purposes of the 90/10 Rule, which tests receipts from Title IV programs on a cash basis and excludes certain receipts such as military aid, the percentage of revenues derived by our institutions from Title IV programs during fiscal 2012 ranged from approximately 56% to approximately 86%, with a weighted average of approximately 79%.

Our students' reliance on private loans has decreased substantially during the last three fiscal years due to the increased availability of federal aid and adverse market conditions for consumer student loans. However, this trend was partially offset in fiscal 2010 and 2011 by our involvement in the Education Finance Loan program we introduced in August 2008.

While we are taking steps to address the private loan needs of our students, the consumer lending market could worsen. The inability of our students to finance their education could cause our student population to decrease, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Conversion to Non-Term Academic Structure

Beginning in January 2011 and continuing into fiscal 2012, we transitioned the fully online programs offered by South University and Argosy University from a term-based academic structure, under which all students begin programs and are eligible to receive financial aid at periodic start dates pursuant to a calendar-based term system, to a non-term academic structure, under which each student may begin a program and be eligible to receive financial aid as they successfully progress throughout the year. For students attending fully online programs, we believe a non-term academic structure provides greater ease and flexibility by providing for rolling and flexible start dates. The non-term academic structure also assists in ensuring that students do not over borrow in the early years of a program, which could result in aggregate loan limits being exceeded prior to graduation. The move to a non-term academic structure also reduced the amount of stipends (i.e., living expenses) students are eligible to receive.

Under a non-term academic structure, Direct Loans and Pell grants are typically provided in two equal disbursements each academic year. The first disbursement is usually received during the first course of a payment period. The student's second disbursement cannot be received until the student has successfully completed the courses that were previously funded. These factors, together with the timing of when students begin their programs, affect our operating cash flow. In a quarterly term-based Title IV program environment, disbursements are generally based on three academic terms per academic year, and institutions operating on this basis are generally allowed to draw most of a student's financial aid at the start of a term as long as the student is enrolled at least as a half-time student. The majority of the cash received in a term-based environment is recorded as unrestricted cash and unearned tuition at the beginning of the term. However, in a non-term environment, Title IV draws are generally based on when a student takes a class, which results in higher restricted cash and advance payment balances than in a term-based environment. In addition, the transition to a non-term academic structure may result in a reduction in cash flow from operations due to more cash being restricted compared to prior periods. At June 30, 2012 and 2011, we recorded $41.0 million and $25.7 million, respectively, in restricted cash related to non-term disbursements.

Investing cash flows

Capital expenditures were $93.5 million, or 3.4% of net revenues, in fiscal 2012, compared to $138.1 million, or 4.8% of net revenues, in fiscal 2011. The decrease in capital expenditures as a percentage of net revenues was primarily due to decreased investment in capital intensive programs and expansions of existing facilities as a result of enrollment declines.

Reimbursements for tenant improvements represent cash received from lessors based on the terms of lease agreements to be used for leasehold improvements, which partially offset the outflows for capital expenditures. We lease most of our facilities under operating lease agreements. We anticipate that future commitments on existing leases will be satisfied from cash provided from operating activities. We also expect to extend the terms of leases that will expire in the near future or enter into similar long-term commitments for comparable space.

Financing cash flows

As a result of the Transaction, we are highly leveraged and our debt service requirements are significant. As of June 30, 2012, we had $1,576.8 million in aggregate indebtedness outstanding, including $123.4 million due within the next twelve months, which includes $111.3 million of our revolving credit facility that we repaid on July 1, 2012. The largest portion of our debt is a senior secured credit facility that we obtained in connection with the Transaction as well as our $375.0 million senior notes due in June 2014 (the "Senior Notes"). The senior secured credit facility currently consists of a $1.1 billion term loan and a $328.3 million revolving credit facility, all of which is available for the issuance of letters of credit. On March 30, 2012, we completed a refinancing of $348.6 million of our $1.1 billion term loan that was due to expire in June 2013 by replacing it with $350.0 million of new term debt under the same credit agreement. See Item 8, "Financial Statements and Supplemental Data," Note 8, "Short-Term and Long-Term Debt" below.

We borrowed $111.3 million under the revolving credit facility at June 30, 2012 in order to satisfy year-end regulatory financial ratios, which was repaid on July 2, 2012 from cash on hand at fiscal year-end. We did not borrow against the revolving credit facility at any other point during fiscal 2012. At June 30, 2012, we had issued an aggregate of $417.0 million in letters of credit, the majority of which are issued to the U.S. Department of Education, which requires us to maintain one or more letters of credit due to our failure to satisfy certain regulatory financial ratios after giving effect to the Transaction. The amount of the letter of credit requirement in favor of the U.S. Department of Education was $414.5 million at June 30, 2012, which equals 15% of the total Title IV aid received by students attending our institutions during fiscal 2011. In order to provide the total requisite letters of credit, we used all $200.0 million of capacity under our cash secured letter of credit facilities and $217.0 million of letter of credit capacity under the revolving credit facility. Because letters of credit outstanding under the revolving credit facility reduce the amount available for borrowing under the revolving credit facility, there was no unused capacity under the revolving credit facility at June 30, 2012.

In June 2010, our Board of Directors adopted a stock repurchase program which permits us to repurchase up to $375.0 million of our common stock through December 31, 2012. Pursuant to this program, we repurchased 18.9 million shares of our common stock at a total cost of $328.6 million through June 30, 2012. During fiscal 2012, we purchased 5.6 million shares at a total cost of $101.7 million.

At June 30, 2012, total indebtedness outstanding under the Senior Notes issued by our subsidiary Education Management LLC ("EM LLC"), which EDMC has guaranteed, was $375.0 million. We do not expect the guarantee will adversely affect our liquidity within the next twelve months or restrict our ability to declare dividends or incur additional indebtedness in the future.

We may from time to time use cash on hand to retire or purchase our outstanding debt through open market transactions, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. See Item 8, Note 13, "Stock Repurchase Program" below.

Regulatory Environment and Gainful Employment

In October 2010, the U.S. Department of Education issued new regulations pertaining to certain aspects of the administration of the Title IV programs, including, but not limited to state authorization; disclosure of information related to gainful employment; compensation for persons and entities engaged in certain aspects of recruiting, admissions and student financial aid; determination of attendance; and definition of credit hours. With minor exceptions, these regulations became effective July 1, 2011.

See Part I, Item 1 "Business — Student Financial Assistance — Program Integrity Regulations."

Contractual obligations

The following table describes our commitments at June 30, 2012 under various contracts and agreements:

	Total amounts committed	Payments due by fiscal year (in thousands)					
		2013	2014	2015	2016	2017	Thereafter
Revolving credit facility, due 2015	$ 111,300	$ 111,300	$ —	$ —	$ —	$ —	$ —
Term loan, maturing on June 1, 2016	744,539	8,085	8,085	8,085	720,284		—
Term loan, maturing on March 31, 2018, net of $3.5 million discount	345,545	3,790	3,790	3,790	3,788	3,753	326,634
Senior notes, maturing on June 1, 2014	375,000	—	375,000	—	—	—	—
Other debt	460	201	259	—	—	—	—
Total short-term and long-term debt	1,576,844	123,376	387,134	11,875	724,072	3,753	326,634
Interest payments [(1)]	426,249	120,627	117,099	81,534	58,430	27,887	20,672
Operating leases, extending through 2025	1,044,437	175,959	160,666	137,779	117,408	113,189	339,436
Unconditional purchase obligations	19,923	19,610	242	71	—	—	—
Total commitments	$ 3,067,453	$ 439,572	$ 665,141	$ 231,259	$ 899,910	$ 144,829	$ 686,742

(1) Interest payments are based on either the fixed rate or the variable rate as of June 30, 2012 and assume that repayments are in accordance with the loan agreements without giving effect to mandatory prepayments.

Contingencies

See Item 8, "Financial Statements and Supplementary Data," Note 15, "Commitments and Contingencies" below.

Off Balance Sheet Arrangements

At June 30, 2012, we have provided $23.2 million of surety bonds primarily to state regulatory agencies through four different surety providers. We believe that these surety bonds will expire without being funded; therefore, the commitments are not expected to affect our financial condition.

Indebtedness

As of June 30, 2012, we had $1,576.8 million in aggregate indebtedness outstanding, including $123.4 million due within the next twelve months (which includes the outstanding revolving credit facility balance of $111.3 million that was repaid on

July 1, 2012). This indebtedness was incurred primarily to finance the Transaction and related expenses in June 2006. After giving effect to outstanding letters of credit and amounts drawn on the revolving credit facility, we had no additional availability under our revolving credit facility at June 30, 2012.

Our liquidity requirements are significant and include debt service and capital expenditures, as further described in the sections below. We benefit from investments with attractive returns on capital and favorable working capital balances due to the advanced payment of tuition and fees. Required debt service payments on our significant indebtedness have not negatively impacted our ability to make investments in numerous areas of our business. We invested in marketing and admissions, new and expanded campuses, online education and infrastructure necessary to support future enrollment growth and enhance the student experience.

Our 8.75% senior notes with a principal amount of $375.0 million mature on June 1, 2014 (the "Senior Notes"). In addition, approximately $714.2 million of our term loan facility matures on June 1, 2016 and $328.3 million of our term loan facility matures on March 31, 2018. The entire balance of the $1,090.1 million of term loan facilities will become due and payable on March 1, 2014 in the event that we cannot refinance or repay the Senior Notes in full by such date. Our ability to make scheduled payments on our indebtedness, or to refinance our obligations under our debt agreements on acceptable terms, if at all, will depend on our financial and operating performance. Our operating performance is subject to prevailing economic and competitive conditions and to the financial and business risk factors described in this Form 10-K, many of which are beyond our control. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay the opening of new schools, acquisitions or capital expenditures, sell assets, seek to obtain additional equity capital or restructure our indebtedness.

Senior Secured Credit Facilities

Overview. In connection with the Transaction, our subsidiary, Education Management LLC, entered into senior secured credit facilities consisting of a $1,185.0 million term loan facility and a $300.0 million revolving credit facility. As of June 30, 2012, the revolving credit facility had a borrowing capacity of $328.3 million. As of June 30, 2012, we had aggregate outstanding borrowings of $1,201.4 million under our senior secured credit facilities, of which $111.3 million was repaid on July 2, 2012.

Interest Rate and Fees. Borrowings under the senior secured credit facilities bear interest at a rate equal to LIBOR plus an applicable margin or, at our option, an applicable margin plus an alternative base rate determined by reference to the higher of (x) the prime rate as published in *The Wall Street Journal* or (y) the federal funds rate plus 0.5%. The margin for borrowings under the credit facilities is as follows:

	LIBOR Borrowing	Base Rate Borrowing
Revolving credit facility, due in June 2015	4.00%	3.00%
Senior secured term loan facility, due in June 2016	4.00%	3.00%
Senior secured term loan facility, due in March 2018 *	7.00%	6.00%

* LIBOR floor of 1.25%

The margin for borrowings under the revolving credit facility or either tranche of the term loan may be reduced if we attain certain credit rating levels.

In addition to paying interest on outstanding principal under the senior secured credit facilities, we are required to pay a commitment fee to the lenders under the revolving credit facility with respect to unutilized commitments. At June 30, 2012, the commitment fee rate was 0.375% per annum. We must also pay customary letter of credit fees.

We utilize interest rate swap agreements, which are contractual agreements to exchange payments based on underlying interest rates, to manage the variable rate portion of our term debt. On April 7, 2011, we entered into three interest rate swap agreements, effective July 1, 2011, for an aggregate notional amount of $950.0 million. The first swap agreement is for a notional amount of $325.0 million and effectively caps future interest payments through June 1, 2013 at a rate of 9.44%. Due to the LIBOR floor of 1.25% on the underlying debt, this swap does not qualify for cash flow hedge accounting as described below in Item 8, "Financial Statements and Supplementary Data," Note 9 "Derivative Instruments." The other two swap agreements are for notional amounts of $312.5 million each and effectively fix future interest payments at a rate of 6.26% through June 1, 2015.

Payments. We are required to pay installments on the loans under the term loan facility in quarterly principal amounts of

$3.0 million, which is equal to 0.25% of the initial total funded principal amount calculated as of the closing date. We estimate that the final principal payments on the facility will be $714.2 million on June 1, 2016 and $328.3 million on March 30, 2018, assuming we do not make any prepayments and we repay or refinance the Senior Notes in full by March 1, 2014.

We may be required to make additional principal payments based on excess cash flow generated for the preceding fiscal year and our debt covenant ratios, as defined in the senior secured term loan agreement. We have not been required to make such a prepayment since fiscal 2008. We are not required to make an additional payment relating to the fiscal year ended June 30, 2012 due to our Consolidated Total Debt to Adjusted EBITDA ratio, described below, being below 5.0 to 1.0.

Certain Covenants and Events of Default. The credit agreement governing our senior secured credit facilities contains covenants that, among other things, restrict, subject to certain exceptions, our ability to:

- incur additional indebtedness;
- make capital expenditures;
- create liens on assets;
- engage in mergers or consolidations;
- sell assets;
- pay dividends and distributions or repurchase the capital stock of Education Management LLC;
- make investments, loans or advances;
- repay subordinated indebtedness;
- make certain acquisitions;
- engage in certain transactions with affiliates;
- enter into certain restrictive agreements;
- amend agreements governing our subordinated indebtedness and our organizational documents;
- change the nature of our business; and
- change the status of Education Management Holdings LLC as a passive holding company.

In addition, the credit agreement governing Education Management LLC's senior secured credit facilities requires it to maintain a maximum total leverage ratio and a minimum interest coverage ratio within specified ranges, discussed further under the caption Covenant Compliance.

The credit agreement governing Education Management LLC's senior secured credit facilities also contains certain customary affirmative covenants and events of default and has a cross-default provision to debt with a principal amount of greater than $50.0 million, which would cause the term loan to be prepaid or redeemed in the event of a default with respect to such debt.

Senior Notes

In connection with the Transaction, our subsidiaries, Education Management LLC and Education Management Finance Corp., co-issued $375.0 million aggregate principal amount of the Senior Notes and $385.0 million aggregate principal amount of Senior Subordinated Notes. The Senior Subordinated Notes have since been redeemed in full. The indenture governing the Senior Notes limits our subsidiaries' ability to:

- incur additional indebtedness;
- pay dividends on or make other distributions or repurchase the capital stock of Education Management LLC or any of its parent companies;
- make certain investments, including capital expenditures;
- enter into certain types of transactions with affiliates;
- use assets as security in other transactions; and
- sell certain assets or merge with or into other companies.

Subject to meeting certain qualifications, the indenture governing the Senior Notes permits us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness. The indenture governing the Senior Notes includes a cross-default provision to debt with a principal amount of greater than $50.0 million, which would require the Senior

Notes to be prepaid or redeemed in the event of a default with respect to such debt.

Covenant Compliance

Under its senior secured credit facilities, our subsidiary, Education Management LLC, is required to satisfy a maximum total leverage ratio, a minimum interest coverage ratio and other financial conditions tests. As of June 30, 2012, it was in compliance with the financial and non-financial covenants. Its continued ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that it will meet those ratios and tests in the future. At September 30, 2012, the maximum Consolidated Total Debt to Adjusted EBITDA ratio will decrease from 4.00x to 3.50x, and the minimum Adjusted EBITDA to Consolidated Interest Expense ratio will increase from 2.50x to 2.75x.

Adjusted EBITDA is a non-GAAP measure used to determine our compliance with certain covenants contained in the indenture governing the Senior Notes and in the credit agreement governing our senior secured credit facilities. Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items and other adjustments permitted in calculating covenant compliance under our senior secured credit facilities and the indenture governing the Senior Notes. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA is appropriate to provide additional information to investors to demonstrate compliance with our financing covenants.

The breach of covenants in the credit agreement governing our senior secured credit facilities that are tied to ratios based on Adjusted EBITDA could result in a default under that agreement, in which case the lenders could elect to declare all borrowed amounts immediately due and payable. Any such acceleration also would result in a default under our indenture governing the Senior Notes. Additionally, under the credit agreement governing our senior secured credit facilities and the indenture governing the Senior Notes, our subsidiaries' ability to engage in activities, such as incurring additional indebtedness, making investments and paying dividends or other distributions, is also tied to ratios based on Adjusted EBITDA.

Adjusted EBITDA does not represent net income or cash flows from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. In addition, unlike GAAP measures such as net income and earnings per share, Adjusted EBITDA does not reflect the impact of our obligations to make interest payments on our other debt service obligations, which have increased substantially as a result of the indebtedness incurred in June 2006 to finance the Transaction and related expenses. While Adjusted EBITDA and similar measures frequently are used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation. Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters that we may consider not to be indicative of our ongoing operations. In particular, the definition of Adjusted EBITDA in our senior credit facilities and the indenture governing the Senior Notes allows us to add back certain non-cash, extraordinary, unusual or non-recurring charges that are deducted in calculating net income. However, these are expenses that may recur, vary greatly and are difficult to predict. Further, our debt instruments require that Adjusted EBITDA be calculated for the most recent four fiscal quarters. As a result, the measure can be affected disproportionately by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent twelve-month period or any complete fiscal year.

The following is a reconciliation of net income, which is a GAAP measure of operating results, to Adjusted EBITDA for Education Management LLC as defined in its debt agreements. The terms and related calculations are defined in the senior secured credit agreement (in millions).

	For the 12 month period ended June 30, 2012
Net loss	$ (1,515.6)
Interest expense, net	110.3
Provision for income taxes	(13.6)
Depreciation and amortization	158.6
EBITDA	(1,260.3)
Goodwill and indefinite-lived intangible assets impairments (1)	1,746.8
Loss on extinguishment of debt (2)	9.5
Severance and relocation	15.0
Non-cash compensation (3)	13.0
Other	7.4
Adjusted EBITDA - Covenant Compliance	$ 531.4

(1) As a result of current and projected enrollment trends, as well as a decline in market capitalization, we performed two impairment reviews at all of our reporting units during fiscal 2012. These impairment reviews resulted in non-cash impairment charges at all of our reporting units, totaling $1.75 billion.

(2) In March 2012, we recorded a $9.5 million loss on extinguishment of debt in connection with the refinancing of $348.6 million of our $1.1 billion term loan.

(3) Represents non-cash expense for stock options and restricted stock.

Our covenant requirements and actual ratios for the year ended June 30, 2012 are as follows:

	Covenant Requirements	Actual Ratios
Senior secured credit facility		
Adjusted EBITDA to Consolidated Interest Expense ratio	Minimum of 2.50x	4.82x
Consolidated Total Debt to Adjusted EBITDA ratio	Maximum of 4.00x	2.61x

Regulations

U.S. Department of Education regulations require Title IV program funds received by our schools in excess of the tuition and fees owed by the relevant students at that time to be, with these students' permission, maintained and classified as restricted funds until they are billed for the portion of their education program related to those funds. Funds transferred through electronic funds transfer programs are held in a separate cash account and released when certain conditions are satisfied. These restrictions have not significantly affected our ability to fund daily operations.

Education institutions participating in Title IV programs must satisfy a series of specific standards of financial responsibility. The U.S. Department of Education has adopted standards to determine an institution's financial responsibility to participate in Title IV programs. The regulations establish three ratios: (i) the equity ratio, intended to measure an institution's capital resources, ability to borrow and financial viability; (ii) the primary reserve ratio, intended to measure an institution's ability to support current operations from expendable resources; and (iii) the net income ratio, intended to measure an institution's profitability. Each ratio is calculated separately, based on the figures in the institution's most recent annual audited financial statements, and then weighted and combined to arrive at a single composite score. The composite score must be at least 1.5 in order for the institution to be deemed financially responsible without conditions or additional oversight. If an institution fails to meet any of these requirements, the U.S. Department of Education may set restrictions on the institution's eligibility to participate in Title IV programs. Institutions are evaluated for compliance with these requirements as part of the U.S. Department of Education's renewal of certification process and also annually as each institution submits its audited financial statements to the U.S. Department of Education.

Following the Transaction, the U.S. Department of Education separately considered our and our schools' compliance with the financial responsibility requirements on a consolidated basis. As of June 30, 2012, we did not meet the required quantitative measures of financial responsibility on a consolidated basis due to the amount of indebtedness we incurred and goodwill we recorded in connection with the Transaction. As a result, all of our institutions have been provisionally certified to participate in Title IV programs and we are required to post a letter of credit with the U.S. Department of Education. The amount of the letter of credit is currently set at 15% of the Title IV program funds received by students at our schools during fiscal 2011, or $414.5

million. While provisional certification does not by itself limit an institution's access to Title IV program funds, it does subject our institutions to closer review by the U.S. Department of Education and possible summary adverse action if one of our institutions commits a material violation of Title IV program requirements. Additionally, the U.S. Department of Education has placed our institutions on heightened cash monitoring Level 1 due to the provisional certification and has included a requirement in our program participation agreements that we obtain their approval prior to offering new programs at some of our institutions. These restrictions, along with the letter of credit requirement, will be in effect until at least June 2013 and are likely to continue beyond that date. Furthermore, because we are provisionally certified, the U.S. Department of Education has the discretion to change the amount of our required letter of credit and to impose additional conditions or limitations, including additional restrictions on our receipt of Title IV funds. Outstanding letters of credit reduce the availability under our revolving credit facility. In the future, we may not have sufficient letter of credit capacity under our revolving credit facility and cash secured letter of credit facilities to satisfy the letter of credit requirement for the U.S. Department of Education. No assurance can be given that additional restrictions which may be imposed by the U.S. Department of Education due to our failure to satisfy the financial responsibility standards will not materially and adversely impact our revenues and cash flows.

Under a provision of the HEA commonly referred to as the “90/10 Rule”, an institution will cease to be eligible to participate in Title IV programs if, on a cash accounting basis, more than 90% of its revenues for each of two consecutive fiscal years were derived from Title IV programs. If an institution loses its Title IV eligibility under the 90/10 Rule, it may not reapply for eligibility until the end of two fiscal years. Institutions that fail to satisfy the 90/10 Rule for one fiscal year are placed on provisional certification. For our institutions that disbursed federal financial aid during fiscal 2012, the percentage of revenues derived from Title IV programs ranged from approximately 56% to 86%, with a weighted average of approximately 79% as compared to a weighted average of approximately 78% in fiscal 2011. The following table shows the 90/10 ratio for each of our institutions for the fiscal year ended June 30, 2012:

Institution	90/10 Ratio
The Art Institute of Phoenix	86%
The Art Institute of Pittsburgh	84%
South University	84%
The Art Institute of Charlotte	83%
Brown Mackie College - Salina	83%
Argosy University	80%
The Art Institute of New York City	77%
The Art Institute of York - Pennsylvania	76%
The Illinois Institute of Art - Chicago	74%
The Art Institute of Atlanta	73%
The Art Institute of Portland	73%
The Art Institute of Fort Lauderdale	73%
The Art Institute of Philadelphia	70%
The New England Institute of Art	69%
The Art Institute of Houston	69%
Miami International University of Art & Design	67%
The Art Institutes International Minnesota	67%
The Art Institute of Colorado	64%
The Art Institute of Seattle	56%

Continued decreases in the availability of state grants, together with the inability of households to pay cash due to the current economic climate and decreased availability of private loans, have adversely impacted our ability to comply with the 90/10 Rule because state grants generally are considered cash payments for purposes of the 90/10 Rule. During fiscal 2012, students attending our schools received approximately $164 million of financial aid from the U.S. Department of Veterans Affairs and the U.S. Department of Defense. Some members of Congress have proposed substantially decreasing the amount of education benefits available to veterans and the budget for the U.S. Department of Defense in connection with the current federal budget issues. A material decrease to the funding of military education benefit programs would have a materially adverse effect on our ability to comply with the 90/10 Rule. If any of our institutions violates the 90/10 Rule, its ineligibility to participate in Title IV programs for at least two years would have a material adverse effect on our enrollments, net revenues and results of operations.

Use of Estimates and Critical Accounting Policies

General

In preparing our financial statements in conformity with accounting principles generally accepted in the United States, judgments and estimates are made about the amounts reflected in the consolidated financial statements that affect the reported amounts of assets, liabilities, net revenues and expenses during the reporting period. As part of the financial reporting process, our management collaborates to determine the necessary information on which to base judgments and develop estimates used to prepare the consolidated financial statements. Historical experience and available information are used to make these judgments and estimates. However, different amounts could be reported using different assumptions and in light of changes in facts and circumstances. Therefore, actual amounts could differ from the estimates reflected in the consolidated financial statements appearing elsewhere in this Form 10-K.

We believe that the following critical accounting policies comprise the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Revenue Recognition and Receivables

We bill tuition and housing revenues at the beginning of an academic term and recognize the revenue on a pro rata basis over the term of instruction or occupancy. Some of our academic terms have starting and ending dates that differ from our fiscal quarters. Therefore, at the end of each fiscal quarter, we may have tuition from these academic terms on which the associated revenue has not yet been earned. Accordingly, this unearned revenue has been recorded as unearned tuition in the accompanying consolidated balance sheets. Advance payments represent that portion of payments received but not applied to students' accounts and are also recorded as a current liability in the accompanying consolidated balance sheets. These payments are typically related to future academic periods and generally are refundable. We recognize revenue at the time of the sale in the case of certain point-of-sale transactions, such as bookstore sales.

If a student withdraws from one of our schools, a student's obligation for tuition and fees is limited depending on when a student withdraws during an academic term. Student refunds are regulated by the standards of the U.S. Department of Education, most state education authorities that regulate our schools, the accrediting commissions that accredit our schools and institutional policies (collectively, "Refund Policies"). Refund Policies vary by state, and the limitations imposed by the Refund Policies are generally based on the portion of the academic term that has elapsed at the time the student withdraws. The greater the portion of the academic term that has elapsed at the time the student withdraws, the greater the student's obligation is to the school for the tuition and fees related to that academic term. We record revenue net of any refunds that result from any applicable Refund Policy.

Student receivable balances consist of amounts related to net revenues from current or former students for academic terms that have been completed or are currently in session, prior periods of occupancy in our housing facilities for which payment has not been received or obligations of current students for tuition, housing or other items related to academic terms in progress for which payment has not been received. The balances are comprised of individually insignificant amounts due from students who primarily reside in the United States and Canada.

We record student receivables at cost less an estimated allowance for doubtful accounts. We determine the allowance for doubtful accounts by categorizing gross receivables based upon the enrollment status of the student. The reserve is established based on the likelihood of collection considering our historical experience, which is updated several times per year. The reserve methodology results in a higher reserve rate for out-of-school students compared to in-school students. Student accounts are monitored through an aging process whereby past due accounts are pursued. When certain criteria are met, which is generally when receivables age past the due date by more than four months, and internal collection measures have been taken without success, the accounts of former students are placed with an outside collection agency. Student accounts that are in collection are reserved for at a high rate and are written off after repeated collection attempts have been unsuccessful. A one percentage point change in our allowance for doubtful accounts as a percentage of gross current and non-current student receivables at June 30, 2012 and 2011 would have resulted in a change in net income of $2.9 million and $2.2 million, respectively, for the fiscal years ended June 30, 2012 and 2011.

Impairment of Property, Equipment and Finite-Lived Intangible Assets

We record impairment losses on property and equipment and finite-lived intangible assets when events and circumstances indicate the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. Events and circumstances that could trigger an impairment review include changes in the regulatory environment, deteriorating economic conditions or poor operating performance at individual locations or groups of locations. Any resulting impairment loss would be measured by comparing the fair value of the assets to their carrying amounts using a traditional discounted cash flow model, and the loss would be recorded as an operating expense in the consolidated statement of operations in the period in which carrying value exceeds fair value. We did not record any impairments of property, equipment or finite-lived intangible assets in fiscal 2012 or 2011.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

We evaluate our goodwill and indefinite-lived intangible assets for impairment at least annually, using April 1 as our measurement date. In addition, throughout the fiscal year we evaluate forecasts, our market capitalization, business plans, regulatory and legal matters and other activities necessary to identify triggering events during interim reporting periods. We utilize a two-step method for determining goodwill impairment. In the first step, we determine the fair value of each reporting unit and compare that fair value to each unit's carrying value. We estimate the fair value of our reporting units using a combination of the traditional discounted cash flow approach and the guideline public company approach, which takes into account the relative price and associated earnings multiples of publicly-traded peer companies. If the results of this first step indicate the carrying amount of a reporting unit is higher than its fair value, the second step must be performed, which requires that we determine the implied fair value of goodwill in the same manner as if we had acquired those reporting units as of the testing date. Under the second step, an impairment is recognized if the carrying amount of a reporting unit's goodwill is greater than its implied fair value. If an impairment charge was required to be recorded, it would be presented as an operating expense in the period in which the goodwill's carrying value exceeds its new implied fair value.

During fiscal 2012, we did not identify any triggering events in either of the first two fiscal quarters of 2012 based on our results of operations, future forecasts, market capitalization or other impairment indicators. Among other things, earnings for the first quarter were generally consistent with with our forecasts and, even though there were several negative trends during the second quarter, new students at one of our reporting units increased during the quarter as compared to the prior year period and our forecasts for the latter half of fiscal 2012 continued to project improving new students and financial results across all our reporting units. In addition, our market capitalization as of December 31, 2012 greatly exceeded our carrying value. We also had positive prospective student inquiries for the third quarter, which supported financial forecasts in the third and fourth quarters of fiscal 2012.

During the fiscal quarter ended March 31, 2012, we reevaluated our current and projected future enrollment forecasts due to further degradation in new and continuing students at all of our reporting units as well as a significant decrease in our market capitalization. Based on this evaluation, we determined that each of our four reporting units had indicators of impairment. Accordingly, we updated future cash flow projections and performed an interim evaluation of the carrying amount of goodwill at each reporting unit. The results of the first step of the impairment analysis indicated no impairment at The Art Institutes reporting unit, with the estimated fair value exceeding carrying value by approximately 10% as compared to approximately 21% at the date of our last annual impairment test on April 1, 2011. However, the Argosy University, Brown Mackie Colleges, and South University reporting units each had carrying values higher than their respective estimated fair values. Therefore, we performed the second step of impairment testing for these three reporting units by deducting the estimated fair value of all net assets of the reporting unit from the estimated fair value of the reporting unit. The Argosy University, Brown Mackie Colleges and South University reporting units were affected as follows:

- Argosy University. Declines throughout the first three quarters of fiscal 2012 in conversion rates, which is the rate at which prospective students who inquire about attending schools also submit applications to attend, contributed to a substantial decline in student applications received during the third fiscal quarter along with a 40% decrease in new student enrollment for the third quarter of fiscal 2012 as compared to the prior year quarter. We believed that the continued decline in the conversion rate reflected a negative trend that would likely continue to result in lower than previously anticipated future enrollment, and we revised our projections accordingly.

- Brown Mackie Colleges. Continued conversion rate declines of approximately 30% in each of the first three quarters of fiscal 2012 as compared to the first three quarters of fiscal 2011 resulted in higher than expected declines in student applications and new student enrollment during the third quarter of fiscal 2012. These declines were impacted by delays that we experienced at Brown Mackie Colleges in implementing new programs as part of our plan to comply with new gainful employment regulations. Due to these factors, we reduced total enrollment projections for Brown Mackie Colleges to reflect decreased future growth.

- South University. At South University, conversion rates, which declined only slightly during the first half of 2012, declined 22% during the third quarter of fiscal 2012 as compared to the prior fiscal year, resulting in a corresponding decline in student applications and new student enrollment during the third quarter of fiscal 2012 as compared to prior periods. We believed that this negative trend would likely continue and result in lower than anticipated future enrollment, and we revised our projections accordingly.

We believe that the declines in conversion rates, student applications and enrollment during the third quarter of fiscal 2012 were due in part to economic conditions, student concerns with the cost of education, the impact of new regulations on the proprietary-post-secondary education industry and negative publicity regarding the industry, which negatively impacted each of our reporting units to varying degrees. Declines in new student enrollment have a compounding effect on our results over a period of years because students attending our schools generally must attend for more than one year in order to obtain a degree.

Because the recorded amount of goodwill exceeded the amount of goodwill that would have been recorded under the second step as of the impairment testing date of March 31, 2012, we recorded goodwill impairment charges of $155.9 million, $254.6 million and $84.9 million at Argosy University, Brown Mackie Colleges and South University, respectively.

During the fiscal quarter ended June 30, 2012, we again reevaluated our current and projected future enrollment due to further degradation in new and continuing students at all of our reporting units as well as a significant decrease in our market capitalization. In particular, we noted a degradation in the number of prospective students who ultimately enrolled in school, which we refer to as the "start rate", among campus-based students at The Art Institutes as compared to prior periods. Based on this evaluation, we determined that each of our four reporting units had indicators of impairment. Accordingly, we updated future cash flow projections and performed another interim evaluation of the carrying amount of goodwill at each reporting unit. The results of the first step of the impairment analysis indicated impairment only at The Art Institutes reporting unit. While The Art Institutes had performed in a manner consistent with our previous expectations during the first three quarters of fiscal 2012, it was negatively impacted during the fourth fiscal quarter by a decrease in the start rate for its campus-based programs.

We believe that this decrease in the start rate at the The Art Institutes was due primarily to the reduction in the availability of PLUS program loans that first became discernible in the fourth quarter of fiscal 2012. During fiscal 2012 we believe that the U.S. Department of Education revised the underwriting criteria for PLUS loan eligibility such that new PLUS program loans are not available to parents with respect to whom a creditor previously charged-off a loan because the creditor deemed the debt to be uncollectable. Though the U.S. Department of Education has not publicly announced this change, we first became aware of it in the fourth quarter of fiscal 2012 after The Art Institutes experienced a 28% decrease in the number of students using PLUS program loans to fund a portion of their education expense as compared to the prior year period. Although each of our education systems was affected by this change, it most significantly impacted The Art Institutes, which has a larger proportion of traditional-age students, who are the most likely to be impacted by changes to the PLUS program. Because the recorded amount of goodwill exceeded the amount of goodwill that would have been recorded under the second step of the impairment test as of the June 30, 2012 testing date, we recorded a goodwill impairment charge of $1.12 billion at The Art Institutes reporting unit.

The following table illustrates the amount of goodwill allocated to each reporting unit as well as the deficit, if any, created between the fair value and the carrying value of each reporting unit that would occur given hypothetical reductions in their respective fair values at June 30, 2012:

		Step One Analysis: Deficit Caused By Hypothetical Reductions to Fair Value (in millions)			
	Goodwill	**5%**	**15%**	**25%**	**35%**
The Art Institutes	$ 862	$ —	$ —	$ (93)	$ (247)
Argosy University	63	—	—	—	(6)
South University	38	—	—	—	(7)
	$ 963	$ —	$ —	$ (93)	$ (260)

The valuations of our reporting units require use of internal business plans that are based on judgments and estimates regarding future economic conditions, demand and pricing for our educational services, costs, inflation rates and discount rates, among other factors. These judgments and estimates involve inherent uncertainties. The measurement of the fair values of the reporting units are dependent on the accuracy of the assumptions used and how these estimates compare to our future operating performance. Details of the key assumptions we use in our impairment evaluations include, but are not limited to, the following:

- Future cash flow assumptions — Our projections are based on organic growth and are derived from historical experience and assumptions regarding future growth and profitability trends. These projections also take into account the current economic climate and the extent to which the regulatory environment is expected to impact future growth opportunities. Our analysis incorporates an assumed period of cash flows of ten years with a terminal value determined using the Gordon Growth Model.

- Discount rate — The discount rate is based on each reporting unit's estimated weighted average cost of capital ("WACC"). The three components of WACC are the cost of equity, cost of debt and capital structure, each of which requires judgment by management to estimate. We develop our cost of equity estimates for each reporting unit using the Capital Asset Pricing Model based on perceived risks and predictability of each reporting unit's future cash flows. The cost of debt component represents a market participant's estimated cost of borrowing, which we estimate using the average return on corporate bonds as of the valuation date, adjusted for taxes. The WACC used to estimate the fair value of our reporting units was within a range of 14.0% to 17.0% at June 30, 2012. Any difference in the WACC between reporting units is primarily due to the precision with which management expects to be able to predict that unit's future cash flows.

Our indefinite-lived intangible assets consist of the trade names associated with The Art Institute schools, and licensing, accreditation and Title IV program participation assets for all of our education systems. The total carrying value of these assets at April 1, 2011 was as follows:

- $330.0 million related to The Art Institutes tradename; and
- $112.2 million related to our licensing, accreditation and Title IV program participation assets.

As part of the aforementioned goodwill impairment tests at March 31, 2012 and June 30, 2012, we revalued The Art Institutes tradename using the relief from royalty method, which is the same approach used to value this asset as of the Transaction date. The relief from royalty method focuses on the level of royalty payments that the user of an intangible asset would have to pay a third party for the use of the asset if it were not owned by the user. The tradename was not impaired at March 31, 2012; however, based on updated revenue projections as of June 30, 2012 and updated assumptions of a royalty rate of 2.0% and a discount rate of 14.5%, we determined there was an impairment of $112.0 million that was required for this asset, which we recorded in the fourth quarter of fiscal 2012.

We also revalued the licensing, accreditation and Title IV program participation assets for all reporting units at March 31, 2012 and June 30, 2012 using the same approaches used to value these assets as of the date of the Transaction. These assets were valued by a combination of the cost and income approaches. The cost approach is used for the licensing and accreditation portions of this asset. Numerous factors are considered in order to estimate the Title IV portion of the asset, including the estimated amount of time it would take for an institution to qualify for Title IV funds as a new operation, the number of students currently receiving federal financial aid, the amount schools would have to lend students during the estimated time it would take to qualify for Title IV funds and the present value of projected cash flows. When we completed this test at March 31, 2012, there was no impairment. However, based on updated revenue projections as of June 30, 2012, the analysis resulted in an impairment of $15.0 million at The Art Institutes and $1.3 million at Argosy University.

Income Taxes

We account for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities result from (i) temporary differences in the recognition of income and expense for financial and income tax reporting requirements, and (ii) differences between the recorded value of assets acquired in business combinations accounted for as purchases for financial reporting purposes and their corresponding tax bases. Deferred income tax assets are reduced by a valuation allowance if it is more-likely-than-not that some portion of the deferred income tax asset will not be realized. We evaluate all available evidence, both positive and negative, on a quarterly basis to determine whether, based on the weight of that evidence, a valuation allowance is needed. Future realization of the tax benefit from an existing deferred tax asset ultimately depends upon the existence of sufficient taxable income within the carry back or carry forward period available under the tax law of the applicable jurisdiction. At June 30, 2012 and 2011, we had gross deferred tax assets of $197.4 and $152.4 million respectively, and valuation allowances against those gross deferred tax assets of $25.3 and $21.7 million, respectively. We reevaluate the realizability of these deferred tax assets quarterly and will adjust the valuation allowances based upon available evidence as required. Any future change in our assessment of the realizability of these deferred tax assets could affect our effective income tax rate, net income and net deferred tax assets in the period in which our assessment changes.

We recognize the tax benefit from an uncertain tax position only if it is at least more-likely-than-not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The amount of the tax benefit so recognized is measured as the largest amount of benefit that is more-likely-than-not to be realized upon effective settlement. We classify interest and penalties accrued in connection with unrecognized tax benefits as income tax expense in our consolidated statement of operations.

Stock-based compensation

In August 2006, our Board of Directors approved the 2006 Stock Option Plan (the “2006 Plan”) for executive management and key personnel. Under the 2006 Plan, certain of our employees were granted a combination of time-based and performance-based options to purchase our common stock. In April 2009, our Board of Directors adopted the Omnibus Long-Term Incentive Plan (the “Omnibus Plan”), which became effective upon the completion of the initial public offering. The Omnibus Plan may issue stock options, stock-option appreciation rights, restricted stock, restricted stock units and other forms of long-term incentive compensation.

We use the Black-Scholes option pricing model to determine the fair value of both our time-based and performance-based stock options at the grant date. See Item 8, Note 12, “Share-Based Compensation" below.

After the initial public offering of our common stock in October 2009, our Board of Directors establishes the exercise price for each option grant based on the closing price of our common stock on the grant date. Prior to October 2009, and as a result of EDMC not being publicly traded during the period covered by the 2006 Plan, the Board of Directors was required to estimate the fair value of our common stock on the date of grant. These estimates were based on established valuation methodologies in order to estimate the business enterprise value of EDMC, including using the market and income approaches as well as using contemporaneous private transactions involving our common stock at dates surrounding the options’ grant dates.

At June 30, 2012, there were approximately 12.4 million options outstanding under both of these plans. Our unrecognized compensation cost related to outstanding time-based and performance-based options was $29.8 million and $28.6 million, respectively. We have yet to recognize compensation expense on our performance-based options because the performance conditions are not probable of being met at June 30, 2012.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of business that include fluctuations in the value of the Canadian dollar relative to the U.S. dollar. Due to the size of our Canadian operations relative to our total business, we do not believe we are subject to material risks from reasonably possible near-term changes in exchange rates and do not utilize forward or option contracts on foreign currencies.

The fair values of cash and cash equivalents, restricted cash, students receivable, notes receivable, the revolving credit facility, accounts payable and accrued expenses approximate carrying values.

At June 30, 2012, we had total debt obligations of $1,576.8 million, including $1,201.4 million of variable rate debt under the senior secured credit facility, at a weighted average interest rate of 7.4%.

We have two interest rate swaps that qualify as cash flow hedges and effectively hedge our exposure to fluctuations in interest rate changes. These swaps are for notional amounts of $312.5 million each and effectively fix future interest payments at a rate of 6.26% through June 1, 2015. These derivative financial instruments are carried at fair value on our consolidated balance sheet, which is based on the framework discussed in Note 9 to the accompanying consolidated financial statements. We do not use derivative instruments for trading or speculative purposes.

After giving effect to these two interest rate swaps, only $576.4 million of our variable rate debt was subject to market rate risk at June 30, 2012. A hypothetical change of 1.25% in interest rates from June 30, 2012 levels would have increased or decreased interest expense by approximately $5.8 million in the fiscal year ended June 30, 2012 for the variable rate debt, after giving effect to the two interest rate swaps that qualify as cash flow hedges. For the fiscal year ended June 30, 2012, we recorded a net change in unrecognized loss on interest rate swaps of $(5.2) million, net of tax, in other comprehensive loss consisting of a reduction of $13.6 million due to a periodic revaluation partially offset by an $8.4 million reclassification into earnings. The cumulative unrealized loss of $17.6 million, net of tax, at June 30, 2012 that related to these two swaps may be recognized in the consolidated statement of operations if these instruments fail to meet certain cash flow hedge requirements, which include a change in certain terms of the senior secured credit facilities or the extinguishment or termination of the senior secured credit facilities or swap agreements prior to maturity.

We also have another interest rate swap for a notional amount of $325.0 million that caps future interest payments at a rate of 9.44% through June 1, 2013. However, this hedge does not qualify for cash flow hedge accounting because the interest that is payable on the underlying security is based on the higher of LIBOR or 1.25% (rather than strictly the prevailing LIBOR) plus a margin of 7.0%. We recorded a $2.6 million periodic revaluation loss to interest expense for the fiscal year ended June 30, 2012.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Education Management Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Education Management Corporation and Subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, cash flows, and shareholders' equity for each of the three years in the period ended June 30, 2012. Our audits also included the financial statement schedule listed in the Index. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Education Management Corporation and Subsidiaries at June 30, 2012 and 2011, and the consolidated results of their operations and cash flows for each of the three years in the period ended June 30, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Education Management Corporation and Subsidiaries' internal control over financial reporting as of June 30, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 12, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
September 12, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Education Management Corporation and Subsidiaries

We have audited Education Management Corporation and Subsidiaries' internal control over financial reporting as of June 30, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Education Management Corporation and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Education Management Corporation and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Education Management Corporation and Subsidiaries as of June 30, 2012 and 2011, and related consolidated statements of operations, comprehensive income, cash flows and shareholders' equity for each of the three years in the period ended June 30, 2012 of Education Management Corporation and Subsidiaries and our report dated September 12, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
September 12, 2012

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2012	June 30, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 191,008	$ 403,224
Restricted cash	267,880	47,513
Total cash, cash equivalents and restricted cash	458,888	450,737
Student receivables, net of allowances of $230,587 and $187,102	198,411	157,793
Notes, advances and other receivables	22,174	15,164
Inventories	8,382	9,594
Deferred income taxes (Note 11)	102,668	76,804
Prepaid income taxes	6,796	13,277
Other current assets	40,399	46,166
Total current assets	837,718	769,535
Property and equipment, net (Note 4)	651,797	692,601
Other long-term assets (Note 6)	56,001	46,613
Intangible assets, net (Note 5)	330,029	462,387
Goodwill (Note 5)	963,550	2,581,999
Total assets	$ 2,839,095	$ 4,553,135
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt (Note 8)	$ 12,076	$ 12,076
Revolving credit facility (Note 8)	111,300	79,000
Accounts payable	54,834	58,494
Accrued liabilities (Note 7)	137,348	135,126
Unearned tuition	116,277	140,150
Advance payments	102,170	112,095
Total current liabilities	534,005	536,941
Long-term debt, less current portion (Note 8)	1,453,468	1,466,774
Deferred income taxes (Note 11)	111,767	220,776
Deferred rent	197,758	188,803
Other long-term liabilities	45,533	35,897
Shareholders' equity:		
Common stock, at par	1,434	1,431
Additional paid-in capital	1,777,732	1,761,848
Treasury stock (Note 13)	(328,605)	(226,926)
(Accumulated deficit) Retained earnings	(935,960)	579,781
Accumulated other comprehensive loss	(18,037)	(12,190)
Total shareholders' equity	496,564	2,103,944
Total liabilities and shareholders' equity	$ 2,839,095	$ 4,553,135

The accompanying notes are an integral part of these consolidated financial statements.

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	For the Fiscal Year Ended June 30,		
	2012	2011	2010
Net revenues	$ 2,760,967	$ 2,887,629	$ 2,508,521
Costs and expenses:			
Educational services	1,504,378	1,480,776	1,267,106
General and administrative	760,841	759,099	667,191
Management fees paid to affiliates	—	—	32,055
Depreciation and amortization	158,663	146,480	123,359
Goodwill and indefinite-lived intangible asset impairments (Note 5)	1,746,765	—	—
Total costs and expenses	4,170,647	2,386,355	2,089,711
(Loss) Income before interest, loss on extinguishment of debt and income taxes	(1,409,680)	501,274	418,810
Interest expense, net	110,330	120,694	121,456
Loss on extinguishment of debt (Note 8)	9,474	11,368	47,207
(Loss) Income before income taxes	(1,529,484)	369,212	250,147
Provision for income taxes (benefit) expense	(13,743)	139,704	81,641
Net (loss) income	$ (1,515,741)	$ 229,508	$ 168,506
(Loss) Earnings per share: (Note 3)			
Basic	$ (11.97)	$ 1.67	$ 1.23
Diluted	$ (11.97)	$ 1.66	$ 1.22
Weighted average number of shares outstanding: (Note 3)			
Basic	126,659	137,376	136,917
Diluted	126,659	138,316	137,667

The accompanying notes are an integral part of these consolidated financial statements.

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	For the Fiscal Year Ended June 30,		
	2012	2011	2010
Net (loss) income	$ (1,515,741)	$ 229,508	$ 168,506
Other comprehensive (loss) income:			
Net change in interest rate swaps:			
Periodic revaluation of interest rate swaps, net of tax benefit of $8,049, $8,771 and $6,430	(13,646)	(14,901)	(10,881)
Reclassification adjustment for interest recognized in consolidated statement of operations, net of tax expense of $4,988, $13,994 and $14,005	8,457	23,802	23,795
Net change in unrecognized loss on interest rate swaps, net of tax	(5,189)	8,901	12,914
Foreign currency translation gain (loss)	(658)	1,165	458
Other comprehensive (loss) income	(5,847)	10,066	13,372
Comprehensive (loss) income	$ (1,521,588)	$ 239,574	$ 181,878

The accompanying notes are an integral part of these consolidated financial statements.

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Fiscal Year Ended June 30,		
	2012	2011	2010
Cash flows from operating activities:			
Net (loss) income	$ (1,515,741)	$ 229,508	$ 168,506
Adjustments to reconcile net (loss) income to net cash flows from operating activities:			
Depreciation and amortization of property and equipment	151,023	138,395	114,598
Amortization of intangible assets	7,640	8,085	8,761
Bad debt expense	163,926	134,587	105,593
Goodwill and indefinite-lived intangible asset impairments	1,746,765	—	—
Fair value adjustments to Education Finance Loan program loans	—	21,465	—
Amortization of debt issuance costs	1,071	6,512	8,129
Loss on extinguishment of debt	9,474	11,368	47,207
Share-based compensation	13,290	11,070	21,670
Non cash adjustments related to deferred rent	(12,956)	(3,843)	2,258
Deferred income taxes	(132,500)	24,047	(35,859)
Changes in assets and liabilities:			
Restricted cash	(220,367)	(34,671)	(2,470)
Receivables	(211,582)	(115,464)	(144,318)
Reimbursements for tenant improvements	15,307	23,107	14,416
Inventory	1,203	2,080	(2,292)
Other assets	(12,593)	(31,095)	(10,318)
Purchase of EFL program loans	—	(23,888)	(74,021)
Sale of EFL program loans	—	42,806	—
Accounts payable	(1,637)	(4,711)	14,137
Accrued liabilities	20,454	(63,645)	29,254
Unearned tuition	(23,873)	(15,596)	37,005
Advance payments	(9,754)	39,616	4,859
Total adjustments	1,504,891	170,225	138,609
Net cash flows (used in) provided by operating activities	(10,850)	399,733	307,115
Cash flows from investing activities:			
Expenditures for long-lived assets	(93,546)	(138,105)	(175,782)
Reimbursements for tenant improvements	(15,307)	(23,107)	(14,416)
Net cash flows used in investing activities	(108,853)	(161,212)	(190,198)
Cash flows from financing activities:			
Borrowings under revolving credit facility	111,300	79,000	—
Payments under revolving credit facility	(79,000)	—	(100,000)
Retirement of senior subordinated notes	—	(50,124)	(378,952)
Issuance of common stock	2,618	1,460	389,441
Common stock repurchased for treasury	(104,073)	(222,325)	(2,207)
Principal payments on long-term debt	(11,025)	(12,208)	(12,584)
Debt issuance costs and other	(11,928)	(4,962)	(2,140)
Net cash flows used in financing activities	(92,108)	(209,159)	(106,442)
Effect of exchange rate changes on cash and cash equivalents	(405)	316	(247)
Net change in cash and cash equivalents	(212,216)	29,678	10,228
Cash and cash equivalents, beginning of period	403,224	373,546	363,318
Cash and cash equivalents, end of period	$ 191,008	$ 403,224	$ 373,546
Cash paid during the period for:			
Interest (including swap settlement)	$ 116,014	$ 118,557	$ 116,939
Income taxes, net of refunds	$ 114,629	$ 151,025	$ 120,120
Noncash investing activities:			
Capital expenditures in current liabilities	$ 13,201	$ 14,360	$ 27,682

The accompanying notes are an integral part of these consolidated financial statements.

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock at Par Value (b)	Additional Paid-in Capital	Treasury Stock (b)	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss		Total
			(In thousands)				
Balance at June 30, 2009	$ 1,198	$ 1,338,316	—	$ 181,767	$ (35,628)		$ 1,485,653
Exercise of stock options including tax benefit	231	389,470	—	—	—		389,701
Share-based compensation	—	21,670	—	—	—		21,670
Common stock repurchased for treasury	—	—	(2,207)	—	—		(2,207)
Net income	—	—	—	$ 168,506	—		168,506
Other comprehensive income	—	—	—	—	13,372		13,372
Balance at June 30, 2010	1,429	1,749,456	(2,207)	350,273	(22,256)		2,076,695
Exercise of stock options including tax benefit	2	1,322	—	—	—		1,324
Share-based compensation	—	11,070	—	—	—		11,070
Common stock repurchased for treasury	—	—	(224,719)	—	—		(224,719)
Net income	—	—	—	229,508	—		229,508
Other comprehensive income	—	—	—	—	10,066		10,066
Balance at June 30, 2011	1,431	1,761,848	(226,926)	579,781	(12,190)	(a)	2,103,944
Exercise of stock options including excess tax benefit	3	2,594	—	—	—		2,597
Share-based compensation	—	13,290	—	—	—		13,290
Common stock repurchased for treasury	—	—	(101,679)	—	—		(101,679)
Net loss	—	—	—	(1,515,741)	—		(1,515,741)
Other comprehensive loss	—	—	—	—	(5,847)		(5,847)
Balance at June 30, 2012	$ 1,434	$ 1,777,732	$ (328,605)	$ (935,960)	$ (18,037)	(a)	$ 496,564

(a) The balance in accumulated other comprehensive loss at June 30, 2012 and 2011 was comprised of $(17.6) million and $(12.5) million of cumulative unrealized losses on interest rate swaps, net of tax, respectively and $(0.4) million and $0.3 million of a cumulative foreign currency translation (loss)/gain, respectively.

(b) There were 600,000,000 authorized shares of par value $0.01 common stock at June 30, 2012 and 2011. Common stock outstanding and treasury stock balances and activity were as follows for the periods indicated.

	Treasury	Net outstanding
Balance at June 30, 2009	—	119,770,277
Repurchased for treasury	123,000	(123,000)
Public offering	—	23,000,000
Issued for stock-based compensation plans	—	205,141
Balance at June 30, 2010	123,000	142,852,418
Repurchased for treasury	13,210,972	(13,210,972)
Issued for stock-based compensation plans	—	170,303
Balance at June 30, 2011	13,333,972	129,811,749
Repurchased	5,568,168	(5,568,168)
Issued for stock-based compensation plans	—	234,226
Balance at June 30, 2012	18,902,140	124,477,807

The accompanying notes are an integral part of these consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND CHANGE IN OWNERSHIP

Description of Business

Education Management Corporation (collectively with its subsidiaries, the "Company") is among the largest providers of post-secondary education in North America, with approximately 151,200 enrolled students as of October 2011. The Company offers campus-based education through four different education systems and through online platforms at three of the four education systems, or through a combination of both. These four education systems are the Company's reportable segments and include The Art Institutes, Argosy University, Brown Mackie Colleges and South university. Refer to Note 18, "Segment Reporting" for additional information.

The Company is committed to offering quality academic programs and strives to improve the learning experience for its students. The curriculum is designed with a distinct emphasis on applied career-oriented content and is primarily taught by faculty members that possess practical and relevant professional experience in their respective fields.

Going Private Transaction

On June 1, 2006, the Company was acquired by a consortium of private equity investment funds led by Providence Equity Partners, Goldman Sachs Capital Partners and Leeds Equity Partners (collectively, the "Sponsors"). The Sponsors, together with certain other investors, became the owners of the Company (the "Transaction").

The acquisition of the Company was financed by equity invested by the Sponsors and other investors, cash on hand, borrowings under a new senior secured credit facility by wholly-owned subsidiary Education Management LLC ("EM LLC") and the issuance by EM LLC and Education Management Finance Corp. (a wholly-owned subsidiary of EM LLC) of $375.0 million of 8.75% senior notes due on June 1, 2014 (the "Senior Notes") and $385.0 million of 10.25% senior subordinated notes originally due in 2016 (the "Senior Subordinated Notes").

Initial public offering

In October 2009, the Company completed an initial public offering of 23.0 million shares of common stock, $0.01 par value (the "common stock"), at a per share price of $18.00 (the "initial public offering"). Net proceeds to EDMC, after transaction costs, totaled approximately $387.3 million. The SponsoDors did not sell any of their shares in connection with the initial public offering. Of the net proceeds from the initial public offering, $355.5 million was used to purchase $316.0 million of the $385.0 million Senior Subordinated Notes then outstanding and $29.6 million was used to pay a termination fee under a management agreement entered into with the Sponsors in connection with the Transaction.

In connection with the initial public offering, the Company's Board of Directors declared a 4.4737 for one split of the Company's common stock, which was paid in the form of a stock dividend on September 30, 2009. As a result of the stock split, the Company amended and restated its articles of incorporation to, among other things, increase the Company's number of authorized shares of common stock. All information presented in the accompanying consolidated financial statements and related notes has been adjusted to reflect the Company's amended and restated articles of incorporation and stock split.

Government Regulations

Each of the Company's schools located in the United States is recognized by accreditation agencies and by the U.S. Department of Education, enabling students to access federal student loans, grants and other forms of public and private financial aid. Participating institutions are required to administer Title IV program funds in accordance with the Higher Education Act of 1965, as amended ("HEA"), and U.S. Department of Education regulations and must use diligence in approving and disbursing funds and servicing loans. In the event a participating institution does not comply with federal requirements or if student loan default rates are at a level that exceeds certain thresholds set by statute and regulation, that institution could lose its eligibility to participate in Title IV programs or could be required to repay funds determined to have been improperly disbursed. Most of the students that attend the Company's institutions participate in federal and state financial aid and assistance programs. The percentage of net revenues derived from Title IV programs on a cash accounting basis was a weighted average of approximately 79% and 78% in fiscal 2012 and 2011, respectively.

Reclassifications

Certain reclassifications of fiscal 2011 and 2010 data have been made to conform to the fiscal 2012 presentation. These reclassifications did not materially change any of the previously reported amounts.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2011-05, Comprehensive Income (Topic 220): *Presentation of Comprehensive Income*, which requires that the total of comprehensive income, the components of net income, and the components of other comprehensive income be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company has adopted ASU 2011-05 in the current quarter before the required effective date of September 30, 2012. ASU 2011-05 does not change the items reported in other comprehensive income or affect whether a component of other comprehensive income must be reclassified to net income. Therefore, the new standard has not impacted the Company's financial condition, results of operations or cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated. Unless otherwise specified, any reference to a "year" is to a fiscal year ended June 30.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on assumptions that management believes to be reasonable under the circumstances, the results of which form a basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes that its estimates are reasonable.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. These investments are stated at cost, which, based upon the scheduled maturities, approximates fair value.

The Company's institutions hold funds from the United States government under various student aid grant and loan programs in separate bank accounts, and serve as trustee for the U.S. Department of Education or respective lender, guaranty agency or student borrower, as applicable. The funds held in these bank accounts are not shown as cash or restricted cash on the consolidated balance sheet until the authorization and disbursement process has occurred. Once the authorization and disbursement process to the student has been completed, the funds are transferred to unrestricted accounts and become available for use in current operations. This transfer generally occurs for the period of the academic term for which such funds were authorized with no term being more than 16 weeks in length.

U.S. Department of Education regulations require Title IV program funds received by the Company's educational institutions in excess of the charges applied to the relevant students at that time to be, with these students' permission, maintained and classified as restricted. In addition, some states have similar requirements. During fiscal 2011, the Company began transitioning certain students from a term-based academic structure, under which all students begin programs and are eligible to receive financial aid at periodic start dates pursuant to a calendar-based term system, to a non-term academic structure, under which each student may begin a program and be eligible to receive financial aid at any time throughout the year. The non-term academic structure provides greater ease and flexibility for students by providing rolling and flexible start dates. In addition to assisting to ensure a student does not over borrow in the early years of a program, which could result in aggregate loan limits being exceeded prior to graduation, this approach also results in the Company receiving more federal funds in advance of a student's class start. Such funds received for courses that have not yet begun are recorded as restricted cash due to legal restrictions on the use of the funds and as advance payments on the Company's consolidated balance sheet. Restricted cash also includes amounts related to an account required to be maintained in connection with an operating lease at one of the Company's institutions and amounts for endowments required by state law at certain of the Company's schools. Restricted cash consisted of the following at June 30 (in thousands):

	2012	2011
Cash secured letters of credit [1]	$ 210,000	$ —
Title IV funds in excess of charges applied	54,416	43,330
Escrowed in connection with operating lease	1,464	2,183
Endowments	2,000	2,000
Restricted cash	$ 267,880	$ 47,513

(1) During fiscal 2012, the Company entered into two cash secured letter of credit facilities pursuant to which the lenders agreed to issue letters of credit to the U.S. Department of Education. Refer to Note 8, "Short-Term and Long-Term Debt" for more details.

Student Receivables

The Company records student receivables at cost less an estimated allowance for doubtful accounts. The Company determines its allowance for doubtful accounts by categorizing gross receivables based upon the enrollment status of the student. The reserve is established based on the likelihood of collection considering the Company's historical experience, which is updated on a frequent basis. The reserve methodology results in a higher reserve rate for out-of-school students compared to in-school students. Student accounts are monitored through an aging process whereby past due accounts are pursued. When certain criteria are met, which is generally when receivables age past the due date by more than four months, and internal collection measures have been taken without success, the accounts of former students are placed with an outside collection agency. Student accounts that are in collection are reserved for at a high rate and are written off after repeated collection attempts have been unsuccessful.

Inventories

Inventories consist mainly of textbooks and supplies held for sale to students enrolled in the Company's educational programs. Cost is determined using the average cost method and inventories are valued at the lower of cost or market.

Property and Equipment

Property and equipment is recorded at its cost less accumulated depreciation. Depreciation policies for such assets are as follows:

- Buildings are depreciated over an estimated useful life of 30 years using the straight-line method;
- Leasehold improvements are amortized using the straight-line method over the shorter of the original lease term, exclusive of any renewal periods, or their estimated useful lives, which is generally 7 to 15 years; and
- The remainder of the Company's property and equipment is depreciated over estimated useful lives ranging from 3 to 10 years using the straight-line method, depending on the asset.

Accelerated depreciation methods are generally used for income tax purposes.

The Company records impairment losses on property and equipment and finite-lived intangible assets when events and circumstances indicate the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. Events and circumstances that could trigger an impairment review include changes in the regulatory environment, deteriorating economic conditions or poor operating performance at individual locations. Any resulting impairment loss would be measured by comparing the fair value of the assets to their carrying amounts using a traditional discounted cash flow model, and the loss would be recorded as an operating expense in the consolidated statement of operations in the period in which carrying value exceeds fair value. The Company did not record any impairments of property, equipment or finite-lived intangible assets in fiscal 2012, 2011 or 2010.

Leases

The Company leases certain classroom, dormitory and office space as well as equipment and automobiles under operating leases. Before entering into a lease, an analysis is performed to determine whether a lease should be classified as a capital lease or an operating lease.

Certain of the Company's lease agreements include tenant improvement allowances. Once the lease agreement is signed, these tenant improvement allowances are recorded as other current assets with the offset to deferred rent liabilities on the consolidated balance sheets. As spending occurs, the Company records increases to leasehold improvement assets in property and equipment. Other current assets are reduced once the landlord reimburses the Company. The deferred rent liabilities related to tenant improvements are amortized over the term of the lease as a reduction to rent expense upon possession of the lease space.

Certain of the Company's lease agreements include rent escalation clauses, which if fixed and determinable, are recognized on a straight-line basis over the life of the lease, which generally range from five to fifteen years with one or more renewal options. For leases with renewal options, the Company records rent expense and amortizes the leasehold improvements on a straight-line basis over the original lease term, exclusive of the renewal period. When a renewal occurs, the Company records rent expense over the new lease term.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill consists of the cost in excess of the fair value of the identifiable net assets of entities acquired in purchase business combinations. Goodwill is evaluated annually on April 1 for impairment and on an interim basis if events or changes in circumstances between annual tests indicate that goodwill might be impaired. A significant amount of judgment is involved in determining whether an indicator of impairment has occurred between annual impairment tests. These indicators include, but are not limited to, adverse changes in recent forecasts of operating results or market capitalization, updated business plans and regulatory and legal developments.

Goodwill is impaired when the carrying amount of a reporting unit's goodwill exceeds its implied fair value, as determined under a two-step approach. In the first step, the Company determines the fair value of each reporting unit and compares that fair value to each reporting unit's carrying value. The Company estimates the fair value of its reporting units using a combination of the traditional discounted cash flow approach and the guideline public company approach, which takes into account the relative price and associated earnings multiples of publicly-traded peer companies. If the results of the first step indicate the carrying amount of a reporting unit is higher than its fair value, a second step must be performed, which requires the Company to determine the implied fair value of goodwill in the same manner as if it had acquired the reporting unit in an arm's length transaction as of the testing date. This is performed by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit from the estimated fair value of the reporting unit. If the recorded amount of goodwill exceeds this implied fair value, an impairment charge is recorded for the excess. Each of the four education systems that the Company operates is a reporting unit for purposes of the impairment tests.

Indefinite-lived intangible assets, consisting of the licensing, accreditation and Title IV program participation assets and The Art Institute tradename, are also evaluated annually on April 1 for impairment and on an interim basis if events or changes in circumstances between annual tests indicate that the asset might be impaired. Tradenames are valued by the "relief from royalty" method, estimating the amount of royalty income that would be generated if the assets were licensed in an arms length transaction to a third party. The Company uses a combination of the cost and income approaches to establish the asset value of licenses, accreditation and Title IV program participation assets. On the impairment testing date, if the fair value of the intangible asset is less than its carrying value, an impairment loss is recognized for an amount equal to the difference. The intangible asset is then carried at its new fair value.

Refer to Note 5, "Goodwill and Intangible Assets," for a discussion of goodwill and indefinite-lived intangible asset impairments recorded during the year ended June 30, 2012.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities result from (i) temporary differences in the recognition of income and expense for financial and income tax reporting requirements, and (ii) differences between the recorded value of assets acquired in business combinations accounted for as purchases for financial reporting purposes and their corresponding tax bases. Deferred income tax assets are reduced by a valuation allowance if it is more-likely-than-not that some portion of the deferred income tax asset will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is at least more-likely-than-not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position. The amount of the tax benefit that is recognized is measured as the largest amount of benefit that is more-likely-than-not to be realized upon effective settlement. The Company classifies interest and penalties accrued in connection with unrecognized tax benefits as income tax expense in its consolidated statement of operations.

Derivative Financial Instruments

EM LLC utilizes interest rate swap agreements, which are contractual agreements to exchange payments based on underlying interest rates, to manage a portion of its floating rate term debt. The swaps are accounted for as an asset or a liability in the consolidated balance sheets at fair value. If interest rate swap agreements are deemed highly effective for accounting purposes and are designated as cash flow hedges, the changes in their fair values are recorded in other comprehensive income (loss), net of tax benefit or expense. If they are not deemed highly effective, the changes in their fair values are recorded in interest expense in the consolidated statements of operations. The fair values of swap agreements are estimated by the counterparty based on current settlement prices and quoted market prices of comparable contracts. At June 30, 2012, two of the Company's three interest rate swap agreements qualified for cash flow hedge accounting. Refer to Note 9, "Derivative Instruments," for more information.

The Company does not use derivative financial instruments for trading or speculative purposes.

Foreign Currency Translation

The financial position and results of operations of the Company's foreign subsidiary are initially measured at its functional currency, which is the Canadian dollar. Accordingly, the assets and liabilities of the foreign subsidiary are translated to U.S. dollars using the exchange rates in effect at the balance sheet date. Revenues and expenses are translated into U.S. dollars using average monthly exchange rates. Translation adjustments resulting from this process are recorded as a separate component of equity designated as accumulated other comprehensive income (loss) in the consolidated balance sheets. Translation gains or losses in the consolidated financial statements were not material in fiscal 2012, 2011 or 2010.

Revenue Recognition

The Company's net revenues consist primarily of tuition and fees, student housing fees, bookstore sales, restaurant sales in connection with culinary programs, workshop fees, and sales of related study materials. Net revenues are reduced for student refunds and scholarships. The Company derived approximately 93.1% of its net revenues from tuition and fees in fiscal 2012 compared to approximately 92.5% in fiscal 2011 and 2010.

The Company bills tuition and housing revenues at the beginning of an academic term and recognizes the revenue on a pro rata basis over the term of instruction or occupancy. Some of the Company's academic terms have starting and ending dates that differ from the Company's fiscal quarters. Therefore, at the end of each fiscal quarter, the Company has tuition from academic terms with respect to which the associated revenue has not yet been earned. Such amounts are recorded as unearned tuition in the accompanying consolidated balance sheets. Advance payments represent that portion of payments received but not earned and are also recorded as a current liability in the accompanying consolidated balance sheets. These payments are typically related to future academic periods and generally are refundable.

If a student withdraws from one of the Company's schools, the extent of his or her obligation for tuition and fees depends on when that student withdraws during an academic term. Student refunds are regulated by the standards of the U.S. Department of Education, most state education authorities that regulate the Company's schools, the accrediting commissions that accredit the Company's schools and the Company's institutional policies (collectively, "Refund Policies"). Refund Policies vary by state, and the limitations imposed by the Refund Policies are generally based on the portion of the academic term that has elapsed at the time the student withdraws. The greater the portion of the academic term that has elapsed at the time the student withdraws, the greater the student's obligation is to the school for the tuition and fees related to that academic term. The Company records revenue net of any refunds that result from any applicable Refund Policy.

Costs and Expenses

Educational services expense consists primarily of costs related to the development, delivery and administration of the Company's education programs. Major cost components are faculty compensation, administrative salaries, costs of educational materials, facility occupancy costs, information systems costs and bad debt expense.

General and administrative expense consists of marketing and student admissions expenses and certain central staff costs such as executive management, finance and accounting, legal, corporate development and other departments that do not provide direct services to the Company's education programs.

Marketing costs are expensed in the fiscal year incurred and are classified as general and administrative expense in the accompanying consolidated statements of operations. The Company's marketing expense was $296.9 million, $300.0 million and $259.7 million during the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

Stock-Based Compensation

The Black-Scholes option pricing model is used to determine the fair value of all of the Company's stock options at the grant date. The Company recognizes compensation costs on time-based options and restricted stock on a straight-line basis over the requisite service period, which is the vesting term. The Company has not recognized compensation cost on the performance-based options as the vesting conditions are not probable of being met at June 30, 2012. See Note 12, "Share-based

Compensation," for further discussion of stock-based compensation.

Contingencies

The Company accrues for contingent obligations when it is probable that a liability is incurred and the amount is reasonably estimable. As facts concerning contingencies become known, management reassesses its position and makes appropriate adjustments to its financial statements. Estimates that are particularly sensitive to future changes include tax liabilities, bad debt expense, legal expenses, and regulatory matters, which are subject to change as events evolve, and as additional information becomes available during the administrative and litigation process.

3. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed using the weighted average number of shares outstanding during the period. The Company uses the treasury stock method to compute diluted EPS, which assumes that restricted stock was converted into common stock and that outstanding stock options were exercised and the resulting proceeds were used to acquire shares of common stock at its average market price during the reporting period.

Basic and diluted EPS were calculated as follows (in thousands, except per share amounts):

	For the Fiscal Year Ended June 30,		
	2012	2011	2010
Net (loss) income	$ (1,515,741)	$ 229,508	$ 168,506
Weighted average number of shares outstanding:			
Basic	126,659	137,376	136,917
Effect of stock-based awards	—	940	750
Diluted	126,659	138,316	137,667
(Loss) Earnings per share:			
Basic	$ (11.97)	$ 1.67	$ 1.23
Diluted	$ (11.97)	$ 1.66	$ 1.22

For the fiscal year ended June 30, 2012, options to purchase 9.2 million shares of common stock, which comprised all of the Company's outstanding time-based options, were excluded from the computation of diluted EPS, because the Company recorded a net loss. Time-based options to purchase 0.3 million and 1.6 million shares of common stock were also excluded from the computation of diluted EPS for the fiscal years ended June 30, 2011 and 2010, respectively, because the effect of applying the treasury stock method would have been antidilutive. In addition, and as further described in Note 12, "Share-Based Compensation," the Company has determined that its 3.1 million outstanding performance-based stock options are contingently issuable; therefore, they were not included in the diluted EPS calculation for any period presented.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30 (in thousands):

Asset Class	June 30, 2012	June 30, 2011
Land	$ 16,712	$ 16,698
Buildings and improvements	74,783	71,502
Leasehold improvements and capitalized lease costs	545,646	515,254
Furniture and equipment	158,464	148,191
Technology and other equipment	307,511	274,015
Software	86,810	69,665
Library books	42,706	39,395
Construction in progress	21,725	21,023
Total	1,254,357	1,155,743
Less accumulated depreciation	(602,560)	(463,142)
Property and equipment, net	$ 651,797	$ 692,601

Depreciation and amortization expense related to property and equipment was $151.0 million, $138.4 million and $114.6 million, respectively, for the fiscal years ended June 30, 2012, 2011 and 2010. Included in these amounts is amortization expense on software of $14.7 million, $14.6 million and $11.8 million, respectively, for the fiscal years ended June 30, 2012, 2011 and 2010.

In connection with the goodwill impairment analysis described in Note 5, "Goodwill and Intangible Assets," the Company also concluded that a triggering event occurred requiring management to evaluate whether the carrying values of net property and equipment, as well as finite-lived intangible assets described in Note 5, were impaired. However, based on reviews of future undiscounted cash flow projections for each individual institution, no impairments were recorded to property, equipment and finite-lived intangible assets.

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

In connection with the Transaction, property, equipment, intangible assets other than goodwill and other assets and liabilities were recorded at fair value. The excess of the amount paid to acquire the Company at the time of the Transaction over the fair values of these net assets represented the intrinsic value of the Company beyond its tangible and identifiable intangible net assets and was assigned to goodwill. In connection with the Transaction, the Company recorded approximately $2.6 billion of goodwill.

During the fiscal quarter ended March 31, 2012, the Company reevaluated its current and projected future enrollment forecasts due to degradation in new and continuing students at all of its reporting units as well as a significant decrease in its market capitalization. Based on this evaluation, management determined that each of the Company's four reporting units had indicators of impairment. Accordingly, the Company updated future cash flow projections and performed an interim evaluation of the carrying amount of goodwill at each reporting unit. The results of the first step of the impairment analysis indicated no impairment at The Art Institutes reporting unit. However, the Argosy University, Brown Mackie Colleges, and South University reporting units each had carrying values higher than their respective estimated fair values. Therefore, the Company performed the second step of impairment testing for these three reporting units. Because the recorded amount of goodwill exceeded the amount of goodwill that would have been recorded under the second step as of the impairment testing date of March 31, 2012, the Company recorded goodwill impairment charges of $155.9 million, $254.6 million and $84.9 million at Argosy University, Brown Mackie Colleges and South University, respectively.

During the fiscal quarter ended June 30, 2012, management again reevaluated the Company's current and projected future enrollment due to further degradation in new and continuing students at each of its reporting units as well as a significant decrease in market capitalization. In particular, management noted a degradation in the number of prospective students who ultimately enrolled in school, or the "start rate", among campus-based students at The Art Institutes as compared to prior periods. Based on this evaluation, the Company determined that each of its four reporting units had indicators of impairment. Accordingly, management updated future cash flow projections and performed another interim evaluation of the carrying amount of goodwill at each reporting unit as of June 30, 2012. The results of the first step of the impairment analysis indicated impairment only at The Art Institutes reporting unit. While The Art Institutes had performed in a manner consistent with previous expectations during the first three quarters of fiscal 2012, it was negatively impacted during the fourth fiscal quarter by a decrease in the start rate for its campus-based programs. Management believes that the decrease in the start rate at the The Art Institutes was due primarily to the reduction in the availability of Parent Loan for Undergraduate Students ("PLUS") program loans that first became discernible in the fourth quarter of fiscal 2012. Although each of the Company's education systems was affected by this change, it most significantly impacted The Art Institutes, which has a larger proportion of traditional-age students, who are the most likely to be impacted by changes to the PLUS program. Because the recorded amount of goodwill exceeded the amount of goodwill that would have been recorded under the second step of the impairment test as of the June 30, 2012 testing date, the Company recorded a goodwill impairment charge of $1.12 billion at The Art Institutes.

The valuation of the Company's reporting units requires the use of internal business plans that are based on judgments and estimates, which account for expected future economic conditions, demand and pricing for the Company's educational services, costs, inflation and discount rates, and other factors. The use of judgments and estimates involves inherent uncertainties and utilizes a significant number of unobservable "Level Three" inputs (see Note 10, "Fair Value of Financial Instruments"). The Company's measurement of the fair values of its reporting units is dependent on the accuracy of the assumptions used and how the Company's estimates compare to future operating performance. The key assumptions used in impairment evaluations include, but are not limited to, the following:

- Future cash flow assumptions — The Company's projections are based on organic growth and are derived from historical experience and assumptions regarding future growth and profitability trends. These projections also take into account the current economic climate and the extent to which the regulatory environment is expected to impact future growth opportunities. The Company's analysis incorporated an assumed period of cash flows of ten years with a terminal value determined using the Gordon Growth Model.

- Discount rate — The discount rate is based on each reporting unit's estimated weighted average cost of capital ("WACC"). The three components of WACC are the cost of equity, cost of debt and capital structure, each of which requires judgment by management to estimate. The Company developed its cost of equity estimate using the Capital Asset Pricing Model based on perceived risks and predictability of each reporting unit's future cash flows. The cost of debt component represents a market participant's estimated cost of borrowing, which the Company estimated using the average return on corporate bonds as of the valuation date, adjusted for taxes. The WACC used to estimate the fair value of the Company's reporting units was within a range of 14% to 17% at June 30, 2012. Any difference in the WACC between reporting units is primarily due to the precision with which management expects to be able to predict the future cash flows of each reporting unit.

At June 30, 2012, the composition of the Company's goodwill balance was as follows (in thousands). No impairments were recorded during fiscal 2011 and 2010.

	Balance at June 30, 2011	Impairment Charge	Balance at June 30, 2012
The Art Institutes	$ 1,984,688	$ (1,123,069)	$ 861,619
Argosy University	219,350	(155,905)	63,445
Brown Mackie Colleges	254,561	(254,561)	—
South University	123,400	(84,914)	38,486
Total goodwill	$ 2,581,999	$ (1,618,449)	$ 963,550

Intangible Assets

In addition to the goodwill impairment charges noted above, the Company also performed an impairment analysis with respect to indefinite-lived intangible assets. As a result, a $128.3 million impairment related to other indefinite-lived intangible assets was recorded for the fiscal year ended June 30, 2012. The $128.3 million impairment of indefinite-lived intangibles consists of a $112.0 million impairment of the tradename of The Art Institutes. The fair value was determined under the relief from royalty method (which is similar to the income approach) using "Level-Three" inputs. These "Level-Three" inputs consisted of a 2.0% royalty rate and a 14.5% discount rate. The remaining indefinite-lived intangible asset impairment consisted of $15.0 million and $1.3 million of indefinite-lived intangible asset impairments recorded at The Art Institutes and Argosy University, respectively, relating to the licensing, accreditation and Title IV program assets, which had a fair value that was determined under a combination of the cost and income approaches using "Level-Three" inputs. The discount rate used in these fair values was14.0% for The Art Institute and 17.5% for Argosy University. The total goodwill and indefinite-lived intangible asset impairments of $1.75 billion were recorded in the consolidated statement of operations during the fiscal year ended June 30, 2012.

Intangible assets other than goodwill consisted of the following amounts at June 30 (in thousands):

	2012		2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tradename-Art Institute	$ 218,000	$ —	$ 330,000	$ —
Licensing, accreditation and Title IV program participation	95,862	—	112,179	—
Curriculum and programs	38,702	(28,541)	35,221	(23,664)
Student contracts, applications and relationships	39,511	(36,270)	39,511	(35,159)
Favorable leases and other	19,424	(16,659)	19,451	(15,152)
Total intangible assets	$ 411,499	$ (81,470)	$ 536,362	$ (73,975)

Tradenames are often considered to have useful lives similar to that of the overall business, which generally means such assets are assigned an indefinite life for accounting purposes. State licenses and accreditations of the Company's schools as well as their eligibility for Title IV program participation are periodically renewed in cycles ranging from every year to up to every ten years depending upon government and accreditation regulations. Because the Company considers these renewal processes to be a routine aspect of the overall business these assets are assigned indefinite lives.

Amortization of intangible assets was $7.6 million, $8.1 million and $8.8 million during the fiscal years ended June 30, 2012, 2011 and 2010, respectively. Total estimated amortization of the Company's intangible assets for each of the years ending June 30, 2013 through 2017 and thereafter is as follows (in thousands):

Fiscal years	Amortization Expense
2013	$ 6,704
2014	4,936
2015	2,703
2016	1,006
2017	308
Thereafter	510

6. OTHER LONG-TERM ASSETS

Other long-term assets consisted of the following at June 30 (in thousands):

	2012	2011
Student receivables, net of allowances of $14,602 and $7,162	$ 20,163	$ 11,425
Deferred financing fees	14,768	15,511
Deferred compensation	12,164	10,819
Other	8,906	8,858
Total other long-term assets	$ 56,001	$ 46,613

Student receivables, net of allowance, relates to the extension of credit to the Company's students for amounts due beyond one year. Beginning in fiscal 2011 and throughout fiscal 2012, the Company extended the repayment period for financing made available to students to include periods of up to 36 months beyond graduation. This extension of credit to the Company's students helps fund the difference between total tuition and fees and the amount covered by government sponsored aid, including amounts awarded under Title IV programs, private loans and cash p
ayments by students. Of the total $34.8 million of gross long-term receivables at June 30, 2012, $24.4 million related to in-school students, while $10.4 million related to out-of-school students. Of the total $18.6 million of gross receivables at June 30, 2011, $12.7 million related to in-school students, while $5.9 million related to out-of-school students. As discussed in Note 2 under "Student Receivables", out-of-school balances are reserved at a higher rate than in-school balances.

In August 2008, the Company introduced the Education Finance Loan ("EFL") program, under which the Company purchased loans originated by a private lender. The EFL program enabled students who had exhausted all available government-sponsored or other aid and had been denied a private loan to borrow funds to finance a portion of their tuition and other educational expenses. In April 2011, the Company sold its wholly-owned subsidiary that held the EFL program loans to an unrelated third party without recourse for net proceeds of $42.8 million. The Company has no future obligations to purchase additional loans under the EFL program.

The Company's current and non-current allowance for doubtful accounts and loan loss reserves, including reserves for its EFL program was as follows (in thousands):

Balance June 30, 2010	$	167,403
Bad debt expense and fair value adjustments		156,052
Amounts written off or sold		(124,098)
Balance June 30, 2011		199,357
Bad debt expense		163,926
Amounts written off		(113,001)
Balance June 30, 2012	$	250,282

These amounts are recorded within student receivables, net and other long-term assets on the consolidated balance sheets.

7. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at June 30 (in thousands):

		2012		2011
Payroll and related taxes	$	50,291	$	30,637
Capital expenditures		5,624		4,801
Advertising		24,837		28,279
Interest		3,296		12,340
Benefits		14,014		11,440
Other		39,286		47,629
Total accrued liabilities	$	137,348	$	135,126

8. SHORT-TERM AND LONG-TERM DEBT

U.S. Department of Education Letters of Credit:

The Company had outstanding letters of credit of $417.0 million at June 30, 2012, the largest of which is issued to the U.S. Department of Education, which requires that the Company maintain a letter of credit due to the Company's failure to satisfy certain regulatory financial ratios after giving effect to the Transaction. The amount of this letter of credit was $414.5 million at June 30, 2012, which equals 15% of the total Title IV aid received by students attending the Company's institutions during fiscal 2011. During fiscal 2012, the Company entered into two cash secured letter of credit facilities pursuant to which the lenders agreed to issue letters of credit to the U.S. Department of Education in an aggregate face amount at any time outstanding of up to $200.0 million. The Company's obligations with respect to such letters of credit are secured by liens in favor of the lenders on certain of the Company's cash deposits, which must total at least 105% of the aggregate face amount of any outstanding letters of credit. The two facilities, one of which provides for letters of credit in an aggregate face amount of up to $150.0 million and one of which provides for letters of credit of an aggregate face amount of up to $50.0 million, mature on November 30, 2013 and March 9, 2014, respectively, or earlier if the existing revolving credit facility is terminated. On June 30, 2012, in order to fund its current letter of credit obligation to the U.S. Department of Education, the Company obtained a $214.5 million letter of credit under its revolving credit facility and used all $200.0 million of capacity under the cash secured letter of credit facilities, in connection with which the Company transferred $210.0 million to restricted cash to satisfy the 105% collateralization requirement.

Amendment of Senior Secured Credit Facilities:

On March 30, 2012, EM LLC completed a refinancing of the $348.6 million portion of the $1.1 billion term loan under its senior secured credit facility that was due to expire in June 2013 by replacing it with $350.0 million of new term debt under the same credit agreement. The maturity date for the $348.6 million portion of the term loan that was repaid in connection with the March 2012 refinancing had not been extended as part of the December 7, 2010 transaction described below. The new $350.0 million term loan, which was issued with an original issue discount at 97.0% and will mature in March 2018, accrues interest at a rate equal to the greater of LIBOR or 1.25%, plus a margin of 7.0%. The new term loan is prepayable at any time; however, there are substantial penalties if it is prepaid prior to March 30, 2014. There were no changes to the $442.5 million revolving credit facility or the then-remaining $746.6 million of other term loan debt due in June 2016 as a result of the refinancing. In connection with the refinancing, the Company capitalized $2.2 million of third party costs as deferred financing fees within other long-term assets, of which $0.7 million was paid to an affiliate of one of the Sponsors. Additionally, the Company capitalized a $3.6 million discount as a reduction to long-term debt. These capitalized fees will be charged to interest expense over the life of the debt through the maturity date.

On December 7, 2010, EM LLC entered into an agreement to amend and extend its senior secured credit facility. Holders of an aggregate of $758.7 million of then-outstanding amounts under the term loan agreed to extend the maturity date of their respective portions of the term loan from June 1, 2013 to June 1, 2016. The interest rate payable on these borrowings increased to LIBOR + 4.00%. In addition to the extension of the maturity date of the term loan borrowing, lenders providing $328.3 million of the $442.5 million in then-total commitments under the revolving credit facility extended their commitments from June 1, 2012 to June 1, 2015. The LIBOR based interest rate payable to lenders that agreed to extend the maturity of their revolving commitments increased by a margin of 2.5% from LIBOR plus 1.5% to LIBOR + 4.00%. The prime based interest rate payable to lenders that agreed to extend the maturity of their revolving credit commitments increased by a margin of 2.5%, from the prime rate plus a margin of 0.5% to the prime rate plus a margin of 3.0%. Lenders with revolving commitments totaling $114.2 million elected not to extend those commitments, which matured on the original maturity date of June 1, 2012 and beared interest at the lower rate. The Company capitalized $2.1 million of third party costs as a result of the refinancing.

The lenders also approved other amendments to the senior secured credit facilities, including a springing maturity of March 1, 2014 for the term loan in the event that EM LLC does not refinance, extend or pay in full the Senior Notes on or prior to March 1, 2014. The amendments also included an increase to the covenant basket amount for capital expenditures and certain restricted payments and the ability to use cash to collateralize letters of credit.

Both refinancing transactions described above were accounted for as extinguishments of the old debt and the issuance of new debt. The Company recorded a loss on extinguishment of debt of $9.5 million in the fiscal year ended June 30, 2012, which consisted of $2.0 million of previously deferred financing fees that were being amortized through the original maturity date and $7.5 million paid to lenders in connection with the March 2012 refinancing. In the fiscal year ended June 30, 2011, the Company recorded a loss on extinguishment of debt of $8.4 million, which included $5.1 million of previously deferred financing fees that were being amortized through the original maturity date and $3.3 million in cash paid to lenders in connection with the December 2010 amendment. Additionally, a $3.0 million loss on extinguishment of debt was recorded in the fourth quarter of fiscal 2011 related to the Senior Subordinated Notes further explained below contributing to a total loss on extinguishment of debt of $11.4 million for the fiscal year ended June 30, 2011.

Short-Term Debt:

The Company had $111.3 million and $79.0 million of borrowings outstanding under the revolving credit facility at June 30, 2012 and 2011, respectively. These borrowings existed in order to satisfy year-end regulatory financial ratios. The balances were classified as short-term debt on the consolidated balance sheets as the amounts outstanding were repaid in full on the first business day of the following fiscal year. Including amounts drawn on the revolving credit facility and outstanding letters of credit as described above, the Company had no additional capacity under the revolving credit facility at June 30, 2012. On June 1, 2012, total borrowing capacity under the revolving credit facility decreased to $328.3 million.

The interest rate on amounts outstanding at June 30, 2012 under the revolving credit facility was 6.25%, which equals prime plus a margin of 3.00%. The interest rates on amounts outstanding at June 30, 2011 under the revolving credit facility was 3.75%, which equaled prime plus a margin of 0.50%, and 6.25%, which equaled prime plus a margin of 3.00%. The applicable margin for borrowings under the revolving credit facility can change dependent on certain leverage ratios and credit ratings. EM LLC is obligated to pay a per annum commitment fee on undrawn amounts under the revolving credit facility, which is currently 0.375% and varies based on certain leverage ratios. The revolving credit facility is secured by certain of EM LLC's assets and is subject to EM LLC's satisfaction of certain covenants and financial ratios described below.

Long-Term Debt:

The Company's long-term debt consisted of the following at June 30 (in thousands):

	2012	2011
Senior secured term loan facility, due in June 2013	$ —	$ 350,503
Senior secured term loan facility, due in June 2016	744,539	752,624
Senior secured term loan facility, due in March 2018, net of $3,508 discount	345,545	—
Senior notes due in June 2014	375,000	375,000
Other	460	723
Total long-term debt	1,465,544	1,478,850
Less current portion	(12,076)	(12,076)
Total long-term debt, less current portion	$ 1,453,468	$ 1,466,774

Senior Secured Credit Facilities:

All obligations under the senior secured credit facilities, including the revolving credit facility, are unconditionally guaranteed by Education Management Holdings LLC and all of the EM LLC's subsidiaries other than subsidiaries that own or operate a school and inactive subsidiaries that have less than $100,000 of assets. The senior secured credit facilities are also secured by pledges of the capital stock of the Company and each guarantor and a security interest in, and mortgages on, substantially all the tangible and intangible assets of the Company and each guarantor.

The senior secured credit facilities require EM LLC to prepay outstanding term loans, subject to certain exceptions, in the case of excess cash flow and in the event of certain asset sales, casualty and condemnation events and issuances of debt. In addition, EM LLC is required to make installment payments on the outstanding term loans during the life of the debt in quarterly principal amounts of 0.25% of the initial principal amount, with the remaining amount payable upon maturity.

The senior secured credit facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, EM LLC's ability to incur additional indebtedness, pay dividends and distributions on or repurchase capital stock, create liens on assets, enter into sale and leaseback transactions, repay subordinated indebtedness, make investments, loans or advances, make capital expenditures, engage in certain transactions with affiliates, amend certain material agreements, change its lines of business, sell assets and engage in mergers or consolidations. In addition, EM LLC is required to satisfy and maintain a maximum total leverage ratio and a minimum interest coverage ratio under the senior secured credit facilities. EM LLC met the requirements of these two ratios in each of the fiscal years ended June 30, 2012, 2011 and 2010.

The credit agreement also contains certain customary affirmative covenants and events of default and has a cross-default provision to debt with a principal amount of greater than $50.0 million, which would cause the term loan to be prepaid or redeemed in the event of a default with respect to such debt.

Senior Notes and Senior Subordinated Notes

EM LLC issued the Senior Notes on June 1, 2006 in connection with the closing of the Transaction. The Senior Notes are guaranteed by all of EM LLC's subsidiaries other than any subsidiary that owns or operates a school or has been formed for such purpose and has no material assets. In November 2009, EDMC guaranteed the indebtedness of EM LLC and Education Management Finance Corp. (a wholly owned subsidiary of EM LLC) under the Senior Notes. Interest on the Senior Notes is payable semi-annually.

The Senior Notes are unsecured obligations that rank senior in right of payment to future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the Senior Notes. They (i) rank equally in right of payment to all existing and future senior debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the Senior Notes, (ii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt, and (iii) are structurally subordinated to all obligations of each subsidiary of EM LLC that is not a guarantor of the Senior Notes.

The Senior Notes are redeemable in whole or in part, at the option of EM LLC, at any time at varying redemption prices that generally include premiums, which are defined in the indenture governing the Senior Notes. In addition, upon a change of control, EM LLC is required to make an offer to redeem all of the Senior Notes at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

The indenture governing the Senior Notes contains a number of covenants that restrict, subject to certain exceptions, EM LLC's ability and the ability of its restricted subsidiaries to incur additional indebtedness or issue certain preferred shares, pay dividends on or make other distributions in respect of its capital stock or make other restricted payments, make certain investments, enter into certain types of transactions with affiliates, create liens securing certain debt without securing the Senior Notes, sell certain assets, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and designate its subsidiaries as unrestricted subsidiaries.

EM LLC issued the Senior Subordinated Notes on June 1, 2006 in connection with the closing of the Transaction. During the fiscal year ended June 30, 2010, the Company purchased Senior Subordinated Notes with a total face value of approximately $337.3 million at a premium through two tender offer transactions. The Company recorded losses of $47.2 million in the fiscal year ended June 30, 2010 on the early retirement of these subordinated notes, which includes the acceleration of amortization on previously deferred debt fees of $5.6 million. In fiscal 2011, the Company purchased the remaining $47.7 million of the Senior Subordinated Notes for a premium of $2.4 million, which together with the amortization of the remaining $0.6 million of related deferred debt fees was recorded as a $3.0 million loss on extinguishment of debt in the accompanying fiscal 2011 consolidated statement of operations.

At June 30, 2012, future annual principal payments on long-term debt and related instruments, net of the $3.5 million discount on the senior secured term loan facility due in March 2018, are as follows for the fiscal years ending (in thousands):

Fiscal year:		**Amount**
2013	$	12,076
2014		387,134
2015		11,875
2016		724,072
2017		3,753
Thereafter		326,634
Total	$	1,465,544

9. DERIVATIVE INSTRUMENTS

EM LLC has historically utilized interest rate swap agreements, which are contractual agreements to exchange payments based on underlying interest rates, to manage the floating rate portion of its term debt. Two such interest rate swaps, each with a notional amount of $375.0 million, expired on July 1, 2011.

In April 2011, the Company entered into three new interest rate swap agreements for an aggregate notional amount of $950.0 million, each of which became effective on July 1, 2011. One swap agreement is for a notional amount of $325.0 million and effectively caps future interest payments at a rate of 9.44% through June 1, 2013. The other two swap agreements, one of which was entered into with an affiliate of one of the Sponsors, are for notional amounts of $312.5 million each and effectively fix future interest payments at a rate of 6.26% through June 1, 2015.

The fair values of the interest rate swap liabilities were $30.1 million and $19.8 million at June 30, 2012 and 2011, respectively, and were recorded in other long-term liabilities on the accompanying consolidated balance sheets.

On March 30, 2012, the Company replaced $348.6 million of its term loan with a new $350.0 million term loan, as further described in Note 8. Because the interest payable on the new term loan is based on the higher of LIBOR or 1.25% (rather than strictly the prevailing LIBOR) plus a margin of 7.0%, the $325.0 million interest rate swap described above does not qualify for cash flow hedge accounting treatment at June 30, 2012. As a result, the Company reclassified the fair value of this interest rate swap of $2.5 million at March 31, 2012 to interest expense in the consolidated statement of operations. Future changes in the fair value of this interest rate swap will be recorded as interest expense in the period incurred. The Company recorded an additional $0.1 million revaluation loss during the fourth quarter of fiscal 2012 related to this interest rate swap.

The refinancing of the term loan did not impact the Company's other two swap agreements for notional amounts of $312.5 million each. Additionally, at June 30, 2012, there was a cumulative unrealized loss of $17.6 million, net of tax, related to these interest rate swaps included in accumulated other comprehensive loss on the Company’s accompanying consolidated balance sheet. This loss would be immediately recognized in the consolidated statement of operations if these instruments fail to meet certain cash flow hedge requirements.

Over the next twelve months, the Company estimates approximately $7.1 million will be reclassified from accumulated other comprehensive loss to the consolidated statement of operations based on current interest rates and underlying debt obligations at June 30, 2012.

The Company used “level two” inputs to value its interest rate swaps. These inputs are defined as other than quoted prices in active markets that are either directly or indirectly observable. The application of level two inputs includes obtaining quotes from counterparties, which are based on LIBOR forward curves, and assessing non-performance risk based upon published market data.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determines the fair value of assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. The Company uses a fair value hierarchy based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use. The fair value hierarchy includes three levels of inputs that may be used to measure fair value as described below.

Level One - Quoted prices for identical instruments in active markets.

Level Two - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations for which all significant inputs are observable market data.

Level Three - Unobservable inputs significant to the fair value measurement supported by little or no market activity.

In some cases, the inputs used to measure fair value may meet the definition of more than one level of fair value hierarchy. The lowest level input that is significant to the fair value measurement in its totality determines the applicable level in the fair value hierarchy.

The following table presents the carrying amount and fair value of the interest rate swap liability, which is measured at fair value on a recurring basis, and the fair value of the Company's debt, which is recorded at carrying value (in thousands):

	June 30, 2012				June 30, 2011			
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Recurring:								
Interest rate swap liability	$ 30,114	$ —	$ 30,114	$ —	$ 19,807	$ —	$ 19,807	$ —
Disclosure only:								
Variable rate debt	1,090,084	—	980,477	—	1,103,127	—	1,085,768	—
Fixed rate debt	375,460	341,710	—	—	375,723	383,223	—	—

Derivative financial instruments are carried at fair value, which is based on the framework discussed in Note 9. As a result of the goodwill and indefinite-lived intangible asset impairments recorded during fiscal 2012, goodwill, the tradename for The Art Institutes and the licensing, accreditation and Title IV asset were measured at fair value on a non-recurring basis using "Level-Three" inputs as described further in Note 5, "Goodwill and Intangible Assets." The fair value of the Company’s debt was based on each instrument’s trading value at the dates presented. The fair values of cash and cash equivalents, restricted cash, students receivable, notes receivable, the revolving credit facility, accounts payable and accrued expenses approximate carrying values.

11. INCOME TAXES

The composition of (loss) income before taxes from domestic and foreign locations was as follows for the fiscal years ended June 30 (in thousands):

	2012	2011	2010
Domestic	$ (1,531,052)	$ 368,102	$ 248,304
Foreign	1,568	1,110	1,843
(Loss) income before taxes	$ (1,529,484)	$ 369,212	$ 250,147

The components of the provision for income taxes (benefit) expense reflected in the accompanying consolidated statements of operations were as follows for the fiscal years ended June 30 (in thousands):

	2012	2011	2010
Current taxes:			
Federal	$ 104,730	$ 95,805	$ 101,895
State and local	14,027	19,852	15,605
Total current tax provision	118,757	115,657	117,500
Deferred tax (benefit) provision	(132,500)	24,047	(35,859)
Provision for income taxes (benefit) expense	$ (13,743)	$ 139,704	$ 81,641

The provision for income taxes reflected in the accompanying consolidated statements of operations varies from the amounts that would have been provided by applying the United States federal statutory income tax rate to earnings before income taxes as shown below for the fiscal years ended June 30:

	2012	2011	2010
U.S. Federal statutory income tax rate	(35.0)%	35.0 %	35.0 %
State and local income taxes, net of U.S. federal income tax benefit	(0.5)%	3.4 %	1.4 %
Increase in valuation allowance	0.2 %	— %	2.0 %
Permanent items	0.1 %	0.3 %	0.1 %
Nondeductible goodwill	34.4 %	— %	— %
Uncertain tax positions	— %	(0.7)%	(5.9)%
Other items, net	(0.1)%	(0.2)%	— %
Effective income tax rate	(0.9)%	37.8 %	32.6 %

The effective tax rate in the current fiscal year was significantly impacted by goodwill and indefinite-lived intangible asset impairment charges. Of the total $1,746.8 million impairment recorded in the current fiscal year, approximately $1,501.5 million related to goodwill recorded as part of the Transaction. As there was no tax basis associated with goodwill recorded in connection with the Transaction, none of it was deductible for tax purposes. The remaining impairment of $245.3 million resulted in a deferred tax benefit, as this related to goodwill and intangible assets where tax basis did exist.

Net deferred income tax assets and liabilities consisted of the following at June 30 (in thousands):

	2012	2011
Current deferred tax assets:		
Allowance for doubtful accounts	$ 95,571	$ 75,431
Accrued wages	11,560	4,029
Other	3,372	2,896
Gross current deferred tax assets	110,503	82,356
Less valuation allowance	(7,835)	(5,552)
Total current deferred tax assets	$ 102,668	$ 76,804
Noncurrent deferred tax assets:		
Interest rate swap	$ 13,125	$ 8,634
Deferred liabilities	28,314	25,236
Foreign and state net operating losses	7,446	11,145
Share-based compensation	17,317	12,744
Other	20,708	12,334
Gross noncurrent deferred tax assets	86,910	70,093
Less valuation allowance	(17,432)	(16,115)
Total noncurrent deferred tax assets	69,478	53,978
Noncurrent deferred tax liabilities:		
Intangible assets	134,963	227,494
Property and equipment	46,124	46,115
Other	158	1,145
Total noncurrent deferred tax liabilities	181,245	274,754
Total net noncurrent deferred tax liabilities	$ 111,767	$ 220,776

At June 30, 2012, the Company had state net operating loss carry forwards of approximately $104.8 million available to offset future taxable income and a related deferred tax asset of $6.9 million. The carry forwards expire at varying dates beginning in fiscal 2024 through fiscal 2032. The Company has determined that it is currently “more-likely-than-not” that the deferred tax assets associated with $100.0 million of its state net operating loss carry forwards will not be realized and has established a valuation allowance equal to the gross deferred tax asset balance of $6.7 million related to these net operating loss carry forwards. In addition, certain of the Company’s state net operating losses may be subject to annual limitations due to these states’ adoption of the ownership change limitations imposed by Internal Revenue Code Section 382 or similar state provisions, which could result in the expiration of the state net operating loss carry forwards before they can be utilized.

At June 30, 2012, the Company had Canadian net operating loss carry forwards of approximately $2.2 million available to offset future taxable income and a related deferred tax asset of $0.6 million.

The recognition and measurement of tax benefits associated with uncertain income tax positions requires the use of judgment and estimates by management, which are inherently subjective. Changes in judgment about uncertain tax positions taken in previous periods may result from new information concerning an uncertain tax position, completion of an audit or the expiration of statutes of limitation. These changes may create volatility in the Company’s effective tax rate in future periods.

A reconciliation of the beginning and ending balance of unrecognized tax benefits, excluding interest expense and the indirect benefits of state taxes, for the fiscal years ended June 30 is as follows (in thousands):

	2012	2011	2010
Unrecognized tax benefits, beginning of year	$ 5,438	$ 8,902	$ 22,639
Increase in prior year unrecognized tax benefits	—	26	51
(Decrease) in prior year unrecognized tax benefits	(93)	(174)	(539)
Increase in current year unrecognized tax benefits	58	943	3,070
(Decrease) in unrecognized tax benefits due to the expiration of statutes of limitation	(880)	(4,259)	(16,319)
Unrecognized tax benefits, end of year	$ 4,523	$ 5,438	$ 8,902

All of the Company's $4.5 million in unrecognized tax benefits, excluding interest expense and the indirect benefit of state taxes, would affect the annual effective tax rate if recognized. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by $0.7 million within the next twelve months due to the expiration of certain statutes of limitation. The resulting benefit, if recognized, would affect the tax rate as a discrete item in the quarter ended March 31, 2013.

The Company classifies interest expense and penalties accrued in connection with unrecognized tax benefits as income tax expense in its consolidated statement of operations, which is consistent with the Company's past accounting policy for interest and penalties related to tax liabilities. The total amount of such interest recognized in the consolidated statement of operations for fiscal 2012 was $0.1 million. No penalties were recognized during fiscal 2012, and no amount was accrued for penalties on the consolidated balance sheet at June 30, 2012.

The statutes of limitation for the Company's U.S. income tax returns are closed for years through fiscal 2008. The statutes of limitation for the Company's state and local income tax returns for prior periods vary by jurisdiction. However, the statutes of limitation with respect to the major jurisdictions in which the Company files state and local tax returns are generally closed for years through fiscal 2007.

12. SHARE-BASED COMPENSATION

Stock options and restricted stock

In August 2006, the Company's Board of Directors approved the 2006 Stock Option Plan (the "2006 Plan") for executive management and key personnel. Under the 2006 Plan, certain of the Company's employees were granted a combination of time-based and performance-based options to purchase the Company's common stock. In April 2009, the Company's Board of Directors adopted the Omnibus Long-Term Incentive Plan (the "Omnibus Plan"), which became effective upon the completion of the initial public offering. Including forfeitures of options under the 2006 Plan, which can be used to issue new awards under the Omnibus Plan, approximately 1.6 million shares of common stock remain available for issuance under the Omnibus Plan at June 30, 2012. The Omnibus Plan may be used to issue stock options, stock-option appreciation rights, restricted stock, restricted stock units and other forms of long-term incentive compensation.

The Company recognized $13.3 million, $11.1 million and $21.7 million of share-based compensation expense related to outstanding time-based stock options, restricted stock and other awards during fiscal 2012, 2011 and 2010, respectively. Upon completion of the initial public offering in fiscal 2010, the Company recognized $15.2 million of previously deferred stock-based compensation costs due to the removal of certain conditions that existed related to the inability of option holders to obtain fair market value for stock options granted under the 2006 Plan. None of the share-based compensation expense the Company has recognized to date relates to outstanding performance-based stock options.

In April 2011, the Company's Board of Directors approved a plan to modify the vesting conditions of the existing performance-based stock options. After giving effect to the modification, these options will vest upon the greater of the percentage of the Company's common stock sold by certain investment funds affiliated with Providence Equity Partners and Goldman Sachs Capital Partners (together, the "Principal Stockholders") or on certain return on investment hurdles achieved by the Principal Stockholders. The exercise price and contractual life of the performance-based stock options did not change. The Company continues to defer compensation expense related to these performance-based options because the performance conditions are not probable of being met at June 30, 2012. Net of estimated forfeitures, the Company had $28.6 million of unrecognized compensation cost relating to performance-based stock options and $29.8 million of unrecognized compensation cost relating to time-based stock options at June 30, 2012.

The Company issued 14,558 shares of common stock directly to members of the Board of Directors and 22,088 shares of restricted stock, which vest one year from the date of grant, during fiscal 2012. The shares of restricted stock were valued at $19.92 per share, the closing price of a share of the Company's common stock on the date of grant. At June 30, 2012, there is $0.2 million of unrecognized compensation cost related to restricted stock, all of which will be recognized ratably through October 2012.

The Company utilizes the Black-Scholes method to estimate the fair value of time-based and performance-based options. The expected option term on the Company's grants is determined using a simplified method based on the average of the weighted vesting terms and the contractual term of the options. Expected volatility is determined using the historical volatility of a seven-company peer group, all of which have publicly traded stock. The risk-free interest rate assumption is determined using the yield on a zero-coupon U.S. Treasury strip by extrapolating to a forward-yield curve. The forfeiture rate is determined using a historical rate based on actual experience. Finally, as the Company does not currently declare dividends and does not intend to do so in the short term, a dividend yield of zero is used.

Below is a summary of the weighted-average assumptions used for time-based options granted during the years ended June 30:

	2012	2011	2010
Weighted average fair value of options	$ 9.29	$ 6.77	$ 8.50
Expected dividend yield	—%	—%	—%
Expected volatility	45.0%	44.0%	44.2%
Risk-free interest rate	1.5%	1.9%	2.9%
Expected forfeiture rate	7.3%	8.6%	12.4%
Expected term	6.25 yrs	6.25 yrs	6.25 yrs
Vesting periods	4.0 yrs	4.0 yrs	4.0 yrs

Time-based options granted, exercised and forfeited during fiscal 2012 are as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding at June 30, 2011	7,408,172	$ 14.24	7.25 yrs	$ 71,871
Granted	2,408,010	$ 20.48		
Exercised	(199,038)	$ 13.52		
Forfeited	(373,525)	$ 12.91		
Outstanding at June 30, 2012	9,243,619	$ 15.72	6.96 yrs	$ —
Vested at June 30, 2012 *	4,525,200	$ 13.25	5.45 yrs	$ —

* The Company's stock price was less than the exercise price for all applicable option grants at June 30, 2012.

The Company received approximately $2.7 million from option holders in fiscal 2012 from the exercise of stock options, on which the actual tax benefits realized for tax deductions, including excess tax benefits, was $0.9 million.

Below is a summary of the weighted-average assumptions used for the Company’s existing performance-based options, all of which were originally granted before fiscal 2010 and were modified in April 2011. No performance-based options have been granted since fiscal 2009. Also presented below is a rollforward of performance-based option activity during fiscal 2012.

Weighted average fair value of options	$ 9.14
Expected dividend yield	—%
Expected volatility	47.4%
Risk-free interest rate	1.7%
Expected term	3.2 years

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding at June 30, 2011	3,309,064	$ 12.38	5.39 yrs	$ 38,257
Granted	—			
Exercised	—			
Forfeited	(191,477)	$ 15.47		
Outstanding at June 30, 2012	3,117,587	$ 12.19	4.48 yrs	$ —
Exercisable at June 30, 2012	—	—	—	—

Long-Term Incentive Compensation Plan

In fiscal 2007, EDMC adopted the Long-Term Incentive Compensation Plan (the "LTIC Plan"). The LTIC Plan consists of a bonus pool that is valued based on returns to Providence Equity Partners and Goldman Sachs Capital Partners in connection with a change in control of EDMC. Out of a total of 1,000,000 units authorized, approximately 518,000 units were outstanding under the LTIC Plan at June 30, 2012. Each unit represents the right to receive a payment based on the value of the bonus pool. Because the contingent future events that would result in value to the unit-holders are less than probable, no compensation expense has been recognized by the Company during any of the periods following the Transaction. The plan is being accounted for as an equity-based plan as the units may be settled in stock or cash at the Company's discretion, and it is the Company's intent to settle any future payment out of the LTIC Plan by issuing common stock. The total amount of unrecognized compensation cost over the vesting periods of all units, net of estimated forfeitures, is approximately $1.9 million at June 30, 2012.

13. STOCK REPURCHASE PROGRAM

In June 2010, the Company's Board of Directors approved a stock repurchase program under which it may purchase its common stock in the open market, in privately negotiated transactions, through accelerated repurchase programs or in structured share repurchase programs. On October 28, 2011, the Board extended the expiration of the period during which purchases could be made under the program from December 31, 2011 to June 30, 2012. Additionally, on December 15, 2011, the Board increased the size of the stock repurchase program from $325.0 million to $375.0 million and extended the expiration of the period during which purchases can be made under the program from June 30, 2012 to December 31, 2012. Under the terms of the program, the Company may make repurchases in the open market, in privately negotiated transactions, through accelerated repurchase programs or in structured share repurchase programs. The program does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion. From the inception of the stock repurchase program through June 30, 2012, the Company has repurchased 18.9 million shares of its common stock under the program for a total cost of $328.6 million. At June 30, 2012, approximately $46.4 million remained available under the program to be used for future stock repurchases.

14. OTHER EMPLOYEE BENEFIT PLANS

The Company sponsors a 401(K) plan that covers substantially all employees. In January 2011, the Company changed its policy to match employee contributions to the retirement plan dollar for dollar up to 6%. This change also allows all participants in the plan to vest in the Company's matching contributions immediately. The Company recorded expense related to the retirement plan of approximately $28.5 million, $21.9 million and $14.3 million for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

15. COMMITMENTS AND CONTINGENCIES

Qui Tam Matters

Washington v. Education Management Corporation. On May 3, 2011, a *qui tam* action captioned *United States of America, and the States of California, Florida, Illinois, Indiana, Massachusetts, Minnesota, Montana, New Jersey, New Mexico, New York and Tennessee, and the District of Columbia, each ex rel. Lynntoya Washington and Michael T. Mahoney v. Education Management Corporation, et al.* ("Washington") filed under the federal False Claims Act in April 2007 was unsealed due to the U.S. Department of Justice's decision to intervene in the case. Five of the states listed on the case caption joined the case based on *qui tam* actions filed under their respective False Claims Acts. The Court granted the Company's motion to dismiss the District of Columbia from the case and denied the Commonwealth of Kentucky's motion to intervene in the case under its consumer protection laws.

The case, which is pending in federal district court in the Western District of Pennsylvania, relates to whether our compensation plans for admission representatives violated the Higher Education Act, as amended ("HEA"), and U.S. Department of Education regulations prohibiting an institution participating in Title IV programs from providing any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments to any person or entity engaged in any student recruitment or admissions activity during the period of July 1, 2003 through June 30, 2011. The complaint was initially filed by a former admissions representative at The Art Institute of Pittsburgh Online Division and a former director of training at EDMC Online Higher Education and asserts the relators are entitled to recover treble the amount of actual damages allegedly sustained by the federal government as a result of the alleged activity, plus civil monetary penalties. The complaint does not specify the amount of damages sought but claims that the Company and/or students attending the Company's schools received over $11 billion in funds from participation in Title IV programs and state financial aid programs during the period of alleged wrongdoing.

On May 11, 2012, the Court ruled on the Company's motion to dismiss case for failure to state a claim upon which relief can be granted, dismissing the claims that the design of the Company's compensation plan for admissions representatives violated the incentive compensation rule and allowing the allegations that the plan as implemented violated the rule and common law claims to continue to discovery. The Company believes the case to be without merit and intends to vigorously defend itself.

Sobek v. Education Management Corporation. On March 13, 2012, a *qui tam* action captioned *United States of America, ex rel. Jason Sobek v. Education Management Corporation, et al*. filed under the federal False Claims Act on January 28, 2010 was unsealed after the U.S. Department of Justice declined to intervene in the case. The case, which is pending in the Western District of Pennsylvania, alleges that the defendants violated the U.S. Department of Education's regulation prohibiting institutions from making substantial misrepresentations to prospective students, did not adequately track student academic progress and violated the U.S. Department of Education's prohibition on the payment of incentive compensation to admissions representatives. The complaint was filed by a former project associate director of admissions at EDMC Online Higher Education who worked for South University and asserts the relator is entitled to recover treble the amount of actual damages allegedly sustained by the federal government as a result of the alleged activity, plus civil monetary penalties. The complaint does not specify the amount of damages sought but claims that the Company's institutions were ineligible to participate in Title IV programs during the period of alleged wrongdoing.

On May 29, 2012, the Company filed a motion to dismiss the case with prejudice for failure to state a claim upon which relief can be granted. In response, the relators withdrew the allegations in the complaint related to violations of the incentive compensation rule. The Company believes the remaining claims in the case to be without merit and intends to vigorously defend itself.

Shareholder Derivative Lawsuits

On May 21, 2012, a shareholder derivative class action captioned *Oklahoma Law Enforcement Retirement System v. Todd S. Nelson, et al.* was filed against the directors of the Company in state court located in Pittsburgh, PA. The Company is named as a nominal defendant in the case. The complaint alleges that the defendants violated their fiduciary obligations to the Company's shareholders due to the Company's violation of the U.S. Department of Education's prohibition on paying incentive compensation to admissions representatives, engaging in improper recruiting tactics in violation of Title IV of the HEA and accrediting agency standards, falsification of job placement data for graduates of its schools and failure to satisfy the U.S. Department of Education's financial responsibility standards. The Company previously received two demand letters from the plaintiff which were investigated by a Special Litigation Committee of the Board of Directors and found to be without merit. The Company filed a motion to dismiss the case with prejudice on August 13, 2012. The Company believes that the claims are without merit and intends to vigorously defend itself.

On August 3, 2012, a shareholder derivative class action captioned *Stephen Bushansky v. Todd S. Nelson, et al.* was filed against certain of the directors of the Company in federal district court in the Western District of Pennsylvania. The Company is named as a nominal defendant in the case. The complaint alleges that the defendants violated their fiduciary obligations to the Company's shareholders due to the Company's use of improper recruiting, enrollment admission and financial aid practices and violation of the U.S. Department of Education's prohibition on the payment of incentive compensation to admissions representatives. The Company previously received a demand letter from the plaintiff which was investigated by a Special Litigation Committee of the Board of Directors and found to be without merit. The Company believes that the claims set forth in the complaint are without merit and intends to vigorously defend itself.

OIG Subpoena

On March 22, 2011, the Company received a subpoena from the Office of Inspector General of the U.S. Department of Education requesting documents related to satisfactory academic progress standards and state licensing of online programs offered by South University and The Art Institute of Pittsburgh for the time period beginning January 1, 2006 through the date of the subpoena. The OIG has not contacted us since our last production of materials in response to the subpoena in October 2-11, and we believe that we have fully responded to their document requests. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

Buirkle APA Program Accreditation Lawsuit

In August 2009, a petition was filed in the District Court for Dallas County, Texas in the case of *Capalbo et al. v. Argosy Education Group, Inc. University, Education Management LLC, Education Management Corporation and Marilyn Powell-Kissinger* by 15 former students in the Clinical Psychology program offered by the Dallas campus of Argosy University. In

September 2009, the defendants removed the case to the United States District Court for the Northern District of Texas, Dallas division. The case was remanded back to state court in November 2009 by agreement after the plaintiffs amended their pleadings to specify their allegations and agreed to dismiss Dr. Powell-Kissinger as a defendant. The plaintiffs filed an amended petition in state court in January 2010 under the name of *Buirkle et al. v. Argosy Education Group, Inc., Education Management LLC and Education Management Corporation* and included three new plaintiffs. The petition alleges that, prior to the plaintiffs' enrollment and/or while the plaintiffs were enrolled in the program, the defendants violated the Texas Deceptive Trade Practices and Consumer Protection Act and made material misrepresentations regarding the importance of accreditation of the program by the Commission on Accreditation of the American Psychological Association, the status of the application of the Dallas campus for such accreditation, the availability of loan repayment options for the plaintiffs, and the quantity and quality of the plaintiffs' career options. Plaintiffs seek unspecified monetary compensatory and punitive damages. In March 2010, claims filed by three of the plaintiffs who signed arbitration agreements with Argosy University were compelled to binding arbitration. The remainder of the state court action was stayed pending the resolution of the three arbitrations.

In May 2010, those three plaintiffs and a fourth former student in the Clinical Psychology program offered by the Dallas campus of Argosy University filed a demand for arbitration. The first of four separate arbitrations is currently scheduled to be heard in December 2012. Also in May 2010, three additional former students in the Clinical Psychology program offered by the Dallas campus of Argosy University filed a new action in the District Court for Dallas County, Texas in the case of *Adibian et al. v. Argosy Education Group, Inc., Education Management LLC, and Education Management Corporation* alleging the same claims made in the Buirkle lawsuit. The defendants filed a motion to stay the new action pending the resolution of the arbitration proceedings. Prior to the hearing on the motion, plaintiffs filed a notice of non-suit without prejudice. On August 9, 2012, the Court entered joint notice of nonsuit dismissing the plaintiffs' claims under the Texas Deceptive Trade Practices Act with prejudice.

The Company believes the claims in the lawsuits and the arbitrations to be without merit and intends to vigorously defend itself.

State Attorney General Investigations

In August 2011, the Company received a subpoena from the Attorney General of the State of New York requesting documents and detailed information for the time period of January 1, 2000 through the present. The Art Institute of New York City is the Company's only school located in New York though the subpoena also addresses fully online students who reside in the State. The subpoena is primarily related to the Company's compensation of admissions representatives and recruiting activities. The relators in the Washington *qui tam* case filed the complaint under the State of New York's False Claims Act though the state has not announced an intention to intervene in the matter. The Company intends to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In December 2010, the Company received a subpoena from the Office of Consumer Protection of the Attorney General of the Commonwealth of Kentucky requesting documents and detailed information for the time period of January 1, 2008 through December 31, 2010. The Company has three Brown Mackie College locations in Kentucky. The Kentucky Attorney General announced an investigation of the business practices of proprietary post-secondary schools and that subpoenas were issued to six proprietary colleges that do business in Kentucky in connection with the investigation. The Company intends to continue to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In October 2010, Argosy University received a subpoena from the Florida Attorney General's office seeking a wide range of documents related to the Company's institutions, including the nine institutions located in Florida, from January 2, 2006 to the present. The Florida Attorney General has announced that it is investigating potential misrepresentations in recruitment, financial aid and other areas. The Company is cooperating with the investigation, but has also filed a suit to quash or limit the subpoena and to protect information sought that constitutes proprietary or trade secret information. The Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In June 2007, The New England Institute of Art ("NEIA") received a civil investigative demand letter from the Massachusetts State Attorney General requesting information in connection with the Attorney General's review of alleged submissions of false claims by NEIA to the Commonwealth of Massachusetts and alleged unfair and deceptive student lending and marketing practices engaged in by the school. In February 2008, the Attorney General informed NEIA that it does not plan to further pursue its investigation of deceptive marketing practices. In June and August of 2011, the Company provided the Attorney General with additional information related to the false claims investigation. NEIA intends to fully cooperate with the Attorney General in connection with its continuing investigation.

City of San Francisco

In December 2011, the Company received a letter from the City Attorney of the City of San Francisco, California requesting information related to student recruitment and indebtedness, including recruiting practices and job placement reporting, among other issues, by The Art Institute of San Francisco and the seven other Art Institutes located in California. The Company intends to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

Other Matters

The Company is a defendant in certain other legal proceedings arising out of the conduct of its business. In the opinion of management, based upon an investigation of these claims and discussion with legal counsel, the ultimate outcome of such other legal proceedings, individually and in the aggregate, is not expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Lease Commitments

The Company leases certain classroom, dormitory and office space as well as equipment and automobiles under operating leases that expire on various future dates. Rent expense under these leases was $191.8 million, $192.2 million and $174.8 million for the fiscal years ended June 30, 2012, 2011 and 2010, respectively. Rent expense also includes short-term commitments for student housing of $51.4 million, $50.7 million and $49.6 million during the fiscal years ended June 30, 2012, 2011 and 2010, respectively. Certain of the Company’s operating leases contain provisions for escalating payments and options for renewal.

As of June 30, 2012, the annual minimum future commitments under non-cancelable, long-term operating leases were as follows for the fiscal years ending June 30, 2013 to 2017 and thereafter (in thousands):

2013	$	175,959
2014		160,666
2015		137,779
2016		117,408
2017		113,189
Thereafter		339,436

Other Commitments

At June 30, 2012, the Company has provided $23.2 million of surety bonds primarily to state regulatory agencies through four different surety providers. The Company believes that these surety bonds will expire without being funded; therefore, the commitments are not expected to materially affect the Company’s financial condition or cash flows.

16. RELATED PARTY TRANSACTIONS

In connection with the March 2012 refinancing described in Note 8, "Short-Term and Long-Term Debt,", the Company paid $0.7 million to an affiliate of one of the Sponsors. During fiscal 2011, and in connection with the debt amendment described in Note 8, the Company paid an arranger fee of $1.1 million to an affiliate of Goldman Sachs Capital Partners, one of the Sponsors. The Company also entered into an interest rate swap agreement in fiscal 2011 in the amount of $312.5 million with an affiliate of Goldman Sachs Capital Partners, the terms of which are discussed in Note 9, "Derivative Instruments".

In connection with the Transaction and under the terms of an agreement between the Company and the Sponsors, the Company agreed to pay annual advisory fees of $5.0 million to the Sponsors. This agreement included customary exculpation and indemnification provisions in favor of the Sponsors and their affiliates. Upon the completion of the initial public offering, the Company terminated the agreement with the Sponsors and paid a non-recurring fee of $29.6 million. This has been included in management fees paid to affiliates in the accompanying consolidated statements of operations.

An affiliate of Goldman Sachs Capital Partners participated as one of the joint book-running managers of the initial public offering of the Company’s common stock. This affiliate was paid $5.5 million pursuant to a customary underwriting agreement among the Company and several underwriters. This fee was recorded as a reduction to additional paid-in capital in the consolidated balance sheet as it reduced the net proceeds received from the initial public offering. In addition, the Company paid an affiliate of Goldman Sachs Capital Partners approximately $0.5 million in tender offer fees related to the two debt repurchases that occurred during fiscal 2010 that were recorded in general and administrative expense in the consolidated statement of operations.

South University LLC, a wholly-owned subsidiary of the Company, leases facilities under a long-term arrangement from two separate entities owned by John T. South, one of the Company's executive officers. Total rental payments under these arrangements approximated $2.1 million in fiscal 2012, $2.2 million in 2011 and $1.7 million in fiscal 2010.

The Company licenses student information system software from Campus Management Corp ("CMC"), which since February 2008 has been owned by Leeds Equity Partners, one of the Sponsors. The Company paid licensing, maintenance and consulting fees to CMC of approximately $2.1 million, $3.5 million and $0.6 million in the fiscal years ended June 30, 2012, 2011 and 2010, respectively. The Company also uses PeopleScout, Inc., d/b/a StudentScout, for contact management services when processing some of its inquiries from prospective students. StudentScout is owned by investment funds associated with Leeds Equity Partners. During fiscal 2012, 2011 and 2010, the Company paid servicing fees to StudentScout of approximately $1.8 million , $2.8 million and $1.4 million, respectively. The Company also uses Ex Libris for IT maintenance, which is owned by the Leeds Equity Partners designee of the Company's Board of Directors. The Company paid Ex Libris $0.3 million, $0.5 million and $0.2 million in fiscal 2012, 2011 and 2010 respectively.

The Company also does business with several companies affiliated with Providence Equity Partners, one of the Sponsors. The Company purchases personal computers and related equipment from CDW Corporation and its affiliates, the largest of which is CDW Government, Inc. (collectively, "CDW"). During fiscal 2012, 2011 and 2010, the Company purchased approximately $0.3 million, $1.8 million, $6.7 million, respectively, of equipment from CDW. The Company also paid NexTag, Inc. for marketing lead generation services of approximately $0.4 million and $1.6 million in fiscal 2011 and 2010, respectively. The Company also uses Assessment Technologies Institute, LLC for computer software that tests the skills of the Company's students in various academic fields. During fiscal 2012, 2011 and 2010, the Company paid Assessment Technologies Institute, LLC approximately $0.5 million, $0.6 million and $0.5 million, respectively. The Company has also engaged Kroll Ontrack for litigation management and electronic discovery document retention. Total fees paid to Kroll Ontrack related to such services approximated $0.4 million and $1.0 million in fiscal 2012 and 2011, respectively.

The Company utilizes United States Security Associates ("USSA") for security services for several of its schools. An affiliate of one of the Sponsors purchased a significant equity stake in USSA in July 2011. Fees paid to USSA were approximately $2.7 million during fiscal 2012.

17. GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION

On June 1, 2006, in connection with the Transaction, EM LLC and Education Management Finance Corp. issued the Senior Notes. The Senior Notes are fully and unconditionally guaranteed by all of EM LLC's existing direct and indirect domestic restricted subsidiaries, other than any subsidiary that directly owns or operates a school, or has been formed for such purposes, and subsidiaries that have no material assets (collectively, the "Guarantors"). All other subsidiaries of EM LLC, either direct or indirect, do not guarantee the Senior Notes ("Non-Guarantors").

In November 2009, the Company guaranteed the indebtedness of EM LLC and Education Management Finance Corp. (a wholly owned subsidiary of EM LLC) under the Senior Notes.

The following tables present the condensed consolidated financial position of EM LLC, the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries and Parent ("EDMC") as of June 30, 2012 and 2011. The results of operations for the fiscal years ended June 30, 2012, 2011 and 2010 and the condensed statements of cash flows for the fiscal years ended June 30, 2012, 2011 and 2010 are presented for EM LLC, the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries and EDMC.

CONDENSED CONSOLIDATED BALANCE SHEET
June 30, 2012 (In thousands)

	EM LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	EM LLC Consolidated	EDMC	Eliminations	EDMC Consolidated
Assets								
Current:								
Cash and cash equivalents	$ (26,249)	$ 98	$ 213,960	$ —	$ 187,809	$ 3,199	$ —	$ 191,008
Restricted cash	42,931	—	224,949	—	267,880	—	—	267,880
Student and other receivables, net	4,149	153	216,284	—	220,586	(1)	—	220,585
Inventories	—	159	8,223	—	8,382	—	—	8,382
Other current assets	35,543	660	113,660	—	149,863	—	—	149,863
Total current assets	56,374	1,070	777,076	—	834,520	3,198	—	837,718
Property and equipment, net	72,279	7,846	571,672	—	651,797	—	—	651,797
Intangible assets, net	2,031	39	327,959	—	330,029	—	—	330,029
Goodwill	7,328	—	956,222	—	963,550	—	—	963,550
Intercompany balances	1,059,102	(26,456)	(1,181,164)	—	(148,518)	148,518	—	—
Other long-term assets	15,276	—	40,724	—	56,000	1	—	56,001
Investment in subsidiaries	826,651	—	—	(826,651)	—	344,742	(344,742)	—
Total assets	$ 2,039,041	$ (17,501)	$ 1,492,489	$ (826,651)	$ 2,687,378	$ 496,459	$ (344,742)	$ 2,839,095
Liabilities and shareholders' equity (deficit)								
Current:								
Current portion of long-term debt and revolving credit facility	$ 123,150	$ —	$ 226	$ —	$ 123,376	$ —	$ —	$ 123,376
Other current liabilities	63,935	8,319	338,378	—	410,632	(3)	—	410,629
Total current liabilities	187,085	8,319	338,604	—	534,008	(3)	—	534,005
Long-term debt, less current portion	1,453,234	—	234	—	1,453,468	—	—	1,453,468
Other long-term liabilities	52,450	374	190,465	—	243,289	2	—	243,291
Deferred income taxes	1,530	515	109,826	—	111,871	(104)	—	111,767
Total liabilities	1,694,299	9,208	639,129	—	2,342,636	(105)	—	2,342,531
Total shareholders' equity (deficit)	344,742	(26,709)	853,360	(826,651)	344,742	496,564	(344,742)	496,564
Total liabilities and shareholders' equity (deficit)	$ 2,039,041	$ (17,501)	$ 1,492,489	$ (826,651)	$ 2,687,378	$ 496,459	$ (344,742)	$ 2,839,095

CONDENSED CONSOLIDATED BALANCE SHEET
June 30, 2011 (In thousands)

	EM LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	EM LLC Consolidated	EDMC	Eliminations	EDMC Consolidated
Assets								
Current:								
Cash and cash equivalents	$ (16,816)	$ 270	$ 369,637	$ —	$ 353,091	$ 50,133	$ —	$ 403,224
Restricted cash	30,685	—	16,828	—	47,513	—	—	47,513
Student and other receivables, net	3,758	78	169,121	—	172,957	—	—	172,957
Inventories	(296)	172	9,718	—	9,594	—	—	9,594
Other current assets	25,229	586	110,432	—	136,247	—	—	136,247
Total current assets	42,560	1,106	675,736	—	719,402	50,133	—	769,535
Property and equipment, net	71,417	7,552	613,632	—	692,601	—	—	692,601
Intangible assets, net	2,300	51	460,036	—	462,387	—	—	462,387
Goodwill	7,328	—	2,574,671	—	2,581,999	—	—	2,581,999
Intercompany balances	1,206,218	(29,516)	(1,364,228)	—	(187,526)	187,526	—	—
Other long-term assets	30,229	—	16,384	—	46,613	—	—	46,613
Investment in subsidiaries	2,189,687	—	—	(2,189,687)	—	1,866,158	(1,866,158)	—
Total assets	$ 3,549,739	$ (20,807)	$ 2,976,231	$ (2,189,687)	$ 4,315,476	$ 2,103,817	$ (1,866,158)	$ 4,553,135
Liabilities and shareholders' equity (deficit)								
Current:								
Current portion of long-term debt and revolving credit facility	$ 90,850	$ —	$ 226	$ —	$ 91,076	$ —	$ —	$ 91,076
Other current liabilities	94,837	3,517	347,514	—	445,868	(3)	—	445,865
Total current liabilities	185,687	3,517	347,740	—	536,944	(3)	—	536,941
Long-term debt, less current portion	1,466,277	—	497	—	1,466,774	—	—	1,466,774
Other long-term liabilities	42,841	433	181,426	—	224,700	—	—	224,700
Deferred income taxes	(11,224)	265	231,859	—	220,900	(124)	—	220,776
Total liabilities	1,683,581	4,215	761,522	—	2,449,318	(127)	—	2,449,191
Total shareholders' equity (deficit)	1,866,158	(25,022)	2,214,709	(2,189,687)	1,866,158	2,103,944	(1,866,158)	2,103,944
Total liabilities and shareholders' equity (deficit)	$ 3,549,739	$ (20,807)	$ 2,976,231	$ (2,189,687)	$ 4,315,476	$ 2,103,817	$ (1,866,158)	$ 4,553,135

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
For the Fiscal Year Ended June 30, 2012 (In thousands)

	EM LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	EM LLC Consolidated	EDMC	Eliminations	EDMC Consolidated
Net revenues	$ —	$ 9,000	$ 2,751,967	$ —	$ 2,760,967	$ —	$ —	$ 2,760,967
Costs and expenses:								
Educational services	93,322	10,554	1,400,502	—	1,504,378	—	—	1,504,378
General and administrative	(82,634)	(352)	843,551	—	760,565	276	—	760,841
Depreciation and amortization	26,637	500	131,526	—	158,663	—	—	158,663
Goodwill and indefinite lived intangible asset impairments	—	—	1,746,765	—	1,746,765	—	—	1,746,765
Total costs and expenses	37,325	10,702	4,122,344	—	4,170,371	276	—	4,170,647
Loss before loss on extinguishment of debt, interest and income taxes	(37,325)	(1,702)	(1,370,377)	—	(1,409,404)	(276)	—	(1,409,680)
Interest (income) expense, net	107,772	—	2,565	—	110,337	(7)	—	110,330
Loss on extinguishment of debt	9,474	—	—	—	9,474	—	—	9,474
Deficit in loss of subsidiaries	1,362,378	—	—	(1,362,378)	—	1,515,569	(1,515,569)	—
Loss before income taxes	(1,516,949)	(1,702)	(1,372,942)	1,362,378	(1,529,215)	(1,515,838)	1,515,569	(1,529,484)
Provision for income taxes (benefit) expense	(1,380)	(15)	(12,251)	—	(13,646)	(97)	—	(13,743)
Net loss	$ (1,515,569)	$ (1,687)	$ (1,360,691)	$ 1,362,378	$ (1,515,569)	$ (1,515,741)	$ 1,515,569	$ (1,515,741)
Net change in unrecognized loss on interest rate swaps, net of tax	$ (5,189)	$ —	$ —	$ —	$ (5,189)	$ (5,189)	$ 5,189	$ (5,189)
Foreign currency translation loss	(658)	—	(658)	658	(658)	(658)	658	(658)
Other comprehensive loss	(5,847)	—	(658)	658	(5,847)	(5,847)	5,847	(5,847)
Comprehensive loss	$ (1,521,416)	$ (1,687)	$ (1,361,349)	$ 1,363,036	$ (1,521,416)	$ (1,521,588)	$ 1,521,416	$ (1,521,588)

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Fiscal Year Ended June 30, 2011 (In thousands)

	EM LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	EM LLC Consolidated	EDMC	Eliminations	EDMC Consolidated
Net revenues	$ —	$ 5,920	$ 2,881,709	$ —	$ 2,887,629	$ —	$ —	$ 2,887,629
Costs and expenses:								
Educational services	77,100	30,852	1,372,823	—	1,480,775	1	—	1,480,776
General and administrative	(112,066)	(2,524)	873,461	—	758,871	228	—	759,099
Depreciation and amortization	24,668	342	121,471	—	146,481	(1)	—	146,480
Total costs and expenses	(10,298)	28,670	2,367,755	—	2,386,127	228	—	2,386,355
Income (loss) before loss on extinguishment of debt, interest and income taxes	10,298	(22,750)	513,954	—	501,502	(228)	—	501,274
Interest (income) expense, net	121,581	(3,305)	2,464	—	120,740	(46)	—	120,694
Loss on extinguishment of debt	11,368	—	—	—	11,368	—	—	11,368
Equity in earnings of subsidiaries	(305,846)	—	—	305,846	—	(229,609)	229,609	—
Income (loss) before income taxes	183,195	(19,445)	511,490	(305,846)	369,394	229,427	(229,609)	369,212
Provision for income taxes (benefit) expense	(46,414)	(7,358)	193,557	—	139,785	(81)	—	139,704
Net income (loss)	229,609	(12,087)	317,933	(305,846)	229,609	229,508	(229,609)	229,508
Net change in unrecognized loss on interest rate swaps, net of tax	$ 8,901	$ —	$ —	$ —	$ 8,901	$ 8,901	$ (8,901)	$ 8,901
Foreign currency translation gain	1,165	—	1,165	(1,165)	1,165	1,165	(1,165)	1,165
Other comprehensive income	10,066	—	1,165	(1,165)	10,066	10,066	(10,066)	10,066
Comprehensive income (loss)	$ 239,675	$ (12,087)	$ 319,098	$ (307,011)	$ 239,675	$ 239,574	$ (239,675)	$ 239,574

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Fiscal Year Ended June 30, 2010 (In thousands)

	EM LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	EM LLC Consolidated	EDMC	Eliminations	EDMC Consolidated
Net revenues	$ —	$ (3,178)	$ 2,511,699	$ —	$ 2,508,521	$ —	$ —	$ 2,508,521
Costs and expenses:								
Educational services	60,658	(684)	1,207,132	—	1,267,106	—	—	1,267,106
General and administrative	(94,146)	(573)	761,682	—	666,963	228	—	667,191
Management fees paid to affiliates	32,055	—	—	—	32,055	—	—	32,055
Depreciation and amortization	18,936	243	104,180	—	123,359	—	—	123,359
Total costs and expenses	17,503	(1,014)	2,072,994	—	2,089,483	228	—	2,089,711
Income (loss) before loss on extinguishment of debt, interest and income taxes	(17,503)	(2,164)	438,705	—	419,038	(228)	—	418,810
Interest expense (income), net	120,309	(1,649)	2,854	—	121,514	(58)	—	121,456
Loss on extinguishment of debt	47,207	—	—	—	47,207	—	—	47,207
Equity in earnings of subsidiaries	(293,212)	—	—	293,212	—	(168,596)	168,596	—
Income (loss) before income taxes	108,193	(515)	435,851	(293,212)	250,317	168,426	(168,596)	250,147
Provision for income taxes (benefit) expense	(60,403)	(168)	142,292	—	81,721	(80)	—	81,641
Net income (loss)	$ 168,596	$ (347)	$ 293,559	$ (293,212)	$ 168,596	$ 168,506	$ (168,596)	$ 168,506
Net change in unrecognized loss on interest rate swaps, net of tax	$ 12,914	$ —	$ —	$ —	$ 12,914	$ 12,914	$ (12,914)	$ 12,914
Foreign currency translation gain	458	—	458	(458)	458	458	(458)	458
Other comprehensive income	13,372	—	458	(458)	13,372	13,372	(13,372)	13,372
Comprehensive income (loss)	$ 181,968	$ (347)	$ 294,017	$ (293,670)	$ 181,968	$ 181,878	$ (181,968)	$ 181,878

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012 (In thousands)

	EM LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	EM LLC Consolidated	EDMC	EDMC Consolidated
Net cash flows provided by (used in) operations	$ (35,071)	$ 4,015	$ 17,140	$ (13,916)	$ 3,066	$ (10,850)
Cash flows from investing activities:						
Expenditures for long-lived assets	(10,373)	(1,127)	(82,046)	(93,546)	—	(93,546)
Other investing activities	(375)	—	(14,932)	(15,307)	—	(15,307)
Net cash flows used in investing activities	(10,748)	(1,127)	(96,978)	(108,853)	—	(108,853)
Cash flows from financing activities:						
Net repayments of debt and other	9,610	—	(263)	9,347	—	9,347
Common stock repurchased and stock option exercises	—	—	—	—	(101,455)	(101,455)
Intercompany transactions	26,776	(3,060)	(75,171)	(51,455)	51,455	—
Net cash flows provided by (used in) financing activities	36,386	(3,060)	(75,434)	(42,108)	(50,000)	(92,108)
Effect of exchange rate changes on cash and cash equivalents	—	—	(405)	(405)	—	(405)
Decrease in cash and cash equivalents	(9,433)	(172)	(155,677)	(165,282)	(46,934)	(212,216)
Beginning cash and cash equivalents	(16,816)	270	369,637	353,091	50,133	403,224
Ending cash and cash equivalents	$ (26,249)	$ 98	$ 213,960	$ 187,809	$ 3,199	$ 191,008

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011 (In thousands)

	EM LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	EM LLC Consolidated	EDMC	EDMC Consolidated
Net cash flows provided by (used in) operations	$ (99,516)	$ 33,747	$ 463,676	$ 397,907	$ 1,826	$ 399,733
Cash flows from investing activities						
Expenditures for long-lived assets	(14,143)	(1,496)	(122,466)	(138,105)	—	(138,105)
Other investing activities	—	—	(23,107)	(23,107)	—	(23,107)
Net cash flows used in investing activities	(14,143)	(1,496)	(145,573)	(161,212)	—	(161,212)
Cash flows from financing activities						
Net repayments of debt and other	11,615	—	(358)	11,257	—	11,257
Common stock repurchased and stock option exercises	—	—	—	—	(220,416)	(220,416)
Intercompany transactions	73,706	(32,295)	(261,827)	(220,416)	220,416	—
Net cash flows provided by (used in) financing activities	85,321	(32,295)	(262,185)	(209,159)	—	(209,159)
Effect of exchange rate changes on cash and cash equivalents	—	—	316	316	—	316
Increase (decrease) in cash and cash equivalents	(28,338)	(44)	56,234	27,852	1,826	29,678
Beginning cash and cash equivalents	11,522	314	313,403	325,239	48,307	373,546
Ending cash and cash equivalents	$ (16,816)	$ 270	$ 369,637	$ 353,091	$ 50,133	$ 403,224

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010 (In thousands)

	EM LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	EM LLC Consolidated	EDMC	EDMC Consolidated
Net cash flows provided by (used in) operations	$ (85,735)	$ (40,919)	$ 431,407	$ 304,753	$ 2,362	$ 307,115
Cash flows from investing activities						
Expenditures for long-lived assets	(16,783)	(1,801)	(157,198)	(175,782)	—	(175,782)
Other investing activities	—	—	(14,416)	(14,416)	—	(14,416)
Net cash flows used in investing activities	(16,783)	(1,801)	(171,614)	(190,198)	—	(190,198)
Cash flows from financing activities						
Net repayments of debt and other	(493,206)	—	(730)	(493,936)	—	(493,936)
Issuance of common stock net of repurchases for treasury	—	—	—	—	387,494	387,494
Intercompany transactions	591,457	42,553	(250,700)	383,310	(383,310)	—
Net cash flows provided by (used in) financing activities	98,251	42,553	(251,430)	(110,626)	4,184	(106,442)
Effect of exchange rate changes on cash and cash equivalents	—	—	(247)	(247)	—	(247)
Increase in cash and cash equivalents	(4,267)	(167)	8,116	3,682	6,546	10,228
Beginning cash and cash equivalents	15,789	481	305,287	321,557	41,761	363,318
Ending cash and cash equivalents	$ 11,522	$ 314	$ 313,403	$ 325,239	$ 48,307	$ 373,546

18. SEGMENT REPORTING

The Company's principal business is providing post-secondary education. The Company manages its operations through four operating segments, which through March 31, 2012 were aggregated into one reportable segment, as all criteria for aggregation under applicable accounting rules were met. Beginning with the quarter ended June 30, 2012, the Company reports segment results for: The Art Institutes; Argosy University; Brown Mackie Colleges; and South University. A summary of each reportable segment is detailed below.

The Art Institutes. The Art Institutes focus on applied arts in creative professions such as media arts and animation, graphic design, culinary arts, interior design, web site development, digital filmmaking and video production, fashion design and marketing and game art and design. The Art Institutes offer Associate's, Bachelor's and Master's degree programs, as well as selective non-degree diploma programs. Students pursue their degrees through local campuses, fully online programs through The Art Institute of Pittsburgh, Online Division and blended formats, which combine on campus and online education. There are 51 Art Institutes campuses in 25 U.S. states and in Canada included in this reportable segment. As of October 2011, students enrolled at The Art Institutes represented approximately 53% of the Company's total enrollments.

Argosy University. Argosy University offers academic programs in psychology and behavioral sciences, business, education and health sciences disciplines. Argosy University offers Doctoral, Master's and undergraduate degrees through local campuses, fully online programs and blended formats. Argosy's academic programs focus on graduate students seeking advanced credentials as a prerequisite to initial licensing, career advancement and/or structured pay increases. There are 20 Argosy University campuses in 13 U.S. states included in this reportable segment. As of October 2011, students enrolled at Argosy University represented approximately 19% of the Company's total enrollments. This segment includes Western State College of Law, which offers Juris Doctor degrees, and the Ventura Group, which provides courses and materials for post-graduate licensure examinations in the human services fields and continuing education courses for K-12 educators.

Brown Mackie Colleges. Brown Mackie Colleges offer flexible Associate's and non-degree diploma programs that enable students to develop skills for entry-level positions in high demand vocational specialties and Bachelor's degree programs that assist students to advance within the workplace. Brown Mackie Colleges offer programs in growing fields such as medical assisting, criminal justice, nursing, business, legal support and information technology. There are 28 Brown Mackie College campuses in 15 U.S. states included in this reportable segment. As of October 2011, students enrolled at Brown Mackie Colleges represented approximately 13% of the Company's total enrollments.

South University. South University offers academic programs in health sciences and business disciplines, including business administration, criminal justice, nursing, information technology, psychology, pharmacy and medical assisting. South University offers Doctoral, Master's, Bachelor's and Associate's degrees through local campuses, fully online programs and blended formats. There are ten South University campuses in eight U.S. states included in this reportable segment. As of October 2011, students enrolled at South University represented approximately 15% of the Company's total enrollments.

EBITDA excluding certain expenses, the measure used by the chief operating decision maker to evaluate segment performance and allocate resources, is defined as net income before interest expense, net, provision for income taxes, depreciation and amortization and certain expenses presented below. EBITDA excluding certain expenses is not a recognized term under GAAP and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, EBITDA excluding certain expenses is not intended to be a measure of free cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Management believes EBITDA excluding certain expenses is helpful in highlighting trends because EBITDA excluding certain expenses excludes the results of decisions that are outside the control of operating management and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, this presentation of EBITDA excluding certain expenses may not be comparable to similarly titled measures of other companies. Adjustments to reconcile segment results to consolidated results are included under the caption "Corporate and other," which primarily includes unallocated corporate activity. A reconciliation of EBITDA excluding certain expenses by reportable segment to consolidated income before income taxes along with other summary financial information by reportable segment is presented below (in thousands):

	For the Fiscal Year Ended June 30,		
	2012	2011	2010
Net revenues:			
The Art Institutes	$ 1,738,542	$ 1,791,176	$ 1,597,072
Argosy University	397,458	431,097	344,382
Brown Mackie Colleges	314,801	348,140	301,850
South University	310,166	317,216	265,217
Total EDMC	$ 2,760,967	$ 2,887,629	$ 2,508,521
EBITDA excluding certain expenses:			
The Art Institutes	$ 477,466	$ 531,163	$ 455,188
Argosy University	56,652	97,481	66,338
Brown Mackie Colleges	62,041	96,740	98,045
South University	4,790	38,375	50,744
Corporate and other	(91,068)	(102,159)	(76,592)
Total EDMC	509,881	661,600	593,723
Reconciliation to consolidated (loss) income before income taxes:			
Goodwill and indefinite-lived intangible asset impairments	1,746,765	—	—
Loss on extinguishment of debt	9,474	11,368	47,207
Restructuring and other	11,633	610	6,776
Lease termination	2,500	—	—
Loss on EFL program loans	—	13,236	—
Management agreement termination fee	—	—	29,555
Previously deferred stock-based compensation costs	—	—	15,223
Depreciation and amortization	158,663	146,480	123,359
Net interest expense	110,330	120,694	121,456
(Loss) income before income taxes	$ (1,529,484)	$ 369,212	$ 250,147
Expenditures for long-lived assets:			
The Art Institutes	$ 42,970	$ 58,447	$ 79,963
Argosy University	6,573	8,777	9,796
Brown Mackie Colleges	11,906	22,865	34,375
South University	9,056	6,539	13,423
Corporate and other	23,041	41,477	38,225
Total EDMC	$ 93,546	$ 138,105	$ 175,782

	As of June 30,	
Assets: [(1)]	2012	2011
The Art Institutes	$ 1,804,221	$ 3,060,939
Argosy University	298,037	451,611
Brown Mackie Colleges	268,694	482,155
South University	241,982	284,259
Corporate and other	226,161	274,171
Total EDMC	$ 2,839,095	$ 4,553,135

(1) Excludes inter-company activity.

19. SUBSEQUENT EVENTS

In August 2012, the Company made a one-time offer to allow eligible option holders to exchange their outstanding options for new stock options (the "Option Exchange"). The Option Exchange was offered as a tool to retain key employees in light of the Company's declining stock price. The number of replacement options that will be granted in exchange for existing eligible options will be determined based on a certain ratio. Each replacement option will have a per-share exercise price equal to the closing price of EDMC's common stock on the NASDAQ on the expiration date, which is anticipated to be September 13, 2012 unless the Option Exchange is extended.

In August 2012, the Company completed a restructuring, which impacted The Art Institutes, South University and Argosy University segments as well as its corporate offices. The restructuring was designed to achieve certain operational efficiencies, and as as result the Company currently expects to recognize up to $15.0 million of expense related to the restructuring in the fiscal quarter ending September 30, 2012. However, it is possible that the Company will incur additional restructuring expense in excess of this estimate.

SCHEDULE II

EDUCATION MANAGEMENT CORPORATION AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

	Balance at Beginning of Period	Additions Charged to Expenses	Deductions/ Other	Balance at End of Period
Year ended June 30, 2010				
Uncollectible accounts receivable	$ 83,691	$ 91,744	$ 51,193	$ 124,242
Estimated future loan losses	14,515	28,646	—	43,161
Deferred tax asset valuation allowance	18,847	3,805	—	22,652
Year ended June 30, 2011				
Uncollectible accounts receivable	$ 124,242	$ 130,678	$ 60,656	$ 194,264
Estimated future loan losses	43,161	25,374	63,442	5,093
Deferred tax asset valuation allowance	22,652	—	985	21,667
Year ended June 30, 2012				
Uncollectible accounts receivable	$ 194,264	$ 163,926	$ 113,001	$ 245,189
Estimated future loan losses	5,093	—	—	5,093
Deferred tax asset valuation allowance	21,667	3,600	—	25,267

SUPPLEMENTAL QUARTERLY INFORMATION (Unaudited)

The Company's quarterly net revenues and income fluctuate primarily as a result of the pattern of student enrollments. The seasonality of the Company's business has decreased over the last several years due to an increased percentage of students enrolling in online programs, which generally experience less seasonal fluctuations than campus-based programs. The Company's first fiscal quarter is typically its lowest revenue recognition quarter due to student vacations.

The following table sets forth our quarterly results for fiscal years ended June 30, 2012, 2011 and 2010 (In thousands except per share data):

	Quarter Ended			
	September 30	**December 31**	**March 31**	**June 30**
Fiscal 2012:				
Revenue	$ 682,095	$ 737,188	$ 702,499	$ 639,185
(Loss) income before income taxes	$ 44,115	$ 103,291	$ (442,340)	$ (1,234,550)
Net (loss) income	$ 26,954	$ 63,127	$ (417,116)	$ (1,188,706)
Diluted EPS	$ 0.21	$ 0.49	$ (3.31)	$ (9.51)
Fiscal 2011:				
Revenue	$ 666,032	$ 771,866	$ 754,340	$ 695,391
Income before income taxes	$ 59,220	$ 138,432	$ 113,457	$ 58,103
Net income	$ 36,448	$ 85,278	$ 72,983	$ 34,799
Diluted EPS	$ 0.25	$ 0.61	$ 0.53	$ 0.26
Fiscal 2010:				
Revenue	$ 534,399	$ 655,469	$ 667,896	$ 650,757
Income before income taxes	$ 25,423	$ 34,540	$ 109,252	$ 80,932
Net income	$ 15,762	$ 20,274	$ 84,570	$ 47,900
Diluted EPS	$ 0.13	$ 0.14	$ 0.59	$ 0.33

9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and participation of its management, which include the Company's chief executive officer and chief financial officer, evaluated the effectiveness of its "disclosure controls and procedures," as defined in Rule 13a-15(e) under the Securities Act of 1934, as amended (the "Exchange Act"). This evaluation was conducted as of the end of the period covered by this annual report on Form 10-K. Based on that evaluation, our chief executive officer and chief financial officer have concluded that the Company's disclosure controls and procedures are effective. Effective controls are designed to ensure that information required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. These controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports are accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment and those criteria, management has concluded that the Company maintained effective internal control over financial reporting as of June 30, 2012.

The effectiveness of the Company's internal control over financial reporting as of June 30, 2012 has been audited by Ernst and Young, an independent registered public accounting firm, as stated in their report set forth in the Report of Independent Registered Public Accounting Firm in Part II, Item 8 of this annual report on Form 10-K.

Changes in Internal Controls Over Financial Reporting.

There were no changes that occurred during the fourth quarter of the fiscal year covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item will be contained in the Proxy Statement under the captions "Director Nominees," "Executive Officers," "Involvement in Certain Legal Proceedings," "Code of Business Ethics and Conduct," "Board Committees," and "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

ITEM 11 EXECUTIVE COMPENSATION

The information required by this Item will be contained in the Proxy Statement under the captions "Compensation Discussion and Analysis," "Summary Compensation Table," "Non-Employee Director Compensation for Fiscal 2012," "Compensation Committee Report," "Risk in Compensation Programs," "Compensation Committee Interlocks and Insider Participation" and "Employment Agreements" and is incorporated herein by reference.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be contained in the Proxy Statement under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" and is incorporated herein by reference.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item will be contained in the Proxy Statement under the captions "Certain Relationships and Related Transactions" and "Board Structure" and is incorporated herein by reference.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will be contained in the Proxy Statement under the captions "Audit, Audit-Related, Tax and All Other Fees" and "Pre-Approval of Audit and Non-Audit Services" and is incorporated herein by reference.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)1. Financial Statements.
Reference is made to Item 8 herein.

(a)2. Financial Statement Schedules.
Reference is made to Item 8 herein.

(a)3. Exhibits.
Reference is made to the Index on Page 126.

Schedules other than as listed above are omitted as not required or inapplicable or because the required information is provided in the consolidated financial statements, including the notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 12, 2012

EDUCATION MANAGEMENT CORPORATION

/s/ EDWARD H. WEST

Edward H. West

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ EDWARD H. WEST **Edward H. West**	President and Chief Executive Officer (Principal Executive Officer)	September 12, 2012
/s/ RANDALL J. KILLEEN **Randall J. Killeen**	Vice President and Acting Chief Financial Officer (Principal Financial Officer and Chief Accounting Officer)	September 12, 2012
/s/ TODD S. NELSON **Todd S. Nelson**	Chairman of the Board of Directors	September 12, 2012
/s/ JOHN R. MCKERNAN, JR. **John R. McKernan, Jr.**	Director	September 12, 2012
/s/ MICK J. BEEKHUIZEN **Mick J. Beekhuizen**	Director	September 12, 2012
/s/ SAMUEL C. COWLEY **Samuel C. Cowley**	Director	September 12, 2012
/s/ ADRIAN M. JONES **Adrian M. Jones**	Director	September 12, 2012
/s/ JEFFREY T. LEEDS **Jeffrey T. Leeds**	Director	September 12, 2012
/s/ LEO F. MULLIN **Leo F. Mullin**	Director	September 12, 2012
/s/ PAUL J. SALEM **Paul J. Salem**	Director	September 12, 2012
/s/ PETER O. WILDE **Peter O. Wilde**	Director	September 12, 2012
/s/ JOSEPH R. WRIGHT **Joseph R. Wright**	Director	September 12, 2012

Exhibit Index

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of Education Management Corporation for its fiscal quarter ended September 30, 2009)
3.2	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q of Education Management Corporation for its fiscal quarter ended September 30, 2009)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 6 to the Registration Statement on Form S-1 of Education Management Corporation (File No. 333-148259))
4.2	Indenture, dated as of June 1, 2006, among Education Management LLC, Education Management Finance Corp., the Guarantors named therein and The Bank of New York, as Trustee, governing the 8 3/4% Senior Notes due 2014 (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Registration Statement on Form S-4 of Education Management LLC and Education Management Finance Corp. (File No. 333-137605))
4.3	Form of 8 3/4% Senior Notes due 2014 (included as part of Exhibit 4.2)
10.1	Amended and Restated Credit and Guaranty Agreement dated February 13, 2007 among Education Management LLC, Education Management Holdings LLC, certain Subsidiaries of Education Management Holdings LLC, the designated Subsidiary Borrowers referred to therein, each lender thereto, Credit Suisse Securities (USA) LLC, as Syndication Agent, and BNP Paribas, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.01 to the Current Report on Form 8-K of Education Management LLC filed on February 14, 2007)
10.2	First Amendment to Amended and Restated Credit and Guaranty Agreement dated March 23, 2009 by and among Education Management LLC, Education Management Holdings, LLC, Goldman Sachs Lending Partners LLC, J.P. Morgan Securities Inc. and BNP Paribas Securities Corp., as auction managers, BNP Paribas, as Administrative Agent and Issuing Bank, the guarantors listed on the signature papers thereto and the lenders listed on the signature papers thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Education Management LLC filed on March 26, 2009)
10.3	Joinder Agreement, dated as of August 25, 2009, by and among each Joinder Lender listed therein, each Issuing Bank listed therein, Education Management LLC, Education Management Holdings LLC, the guarantors listed therein and BNP Paribas, as Administrative Agent (incorporated by reference to Exhibit 10.27 to Amendment No. 4 to the Registration Statement on Form S-1 of Education Management Corporation (File No. 333-148259))
10.4	Amendment and Restatement Agreement dated December 7, 2010 among Education Management LLC, Education Management Holdings LLC, certain Subsidiaries of Education Management Holdings LLC, the designated Subsidiary Borrowers referred to therein, each lender thereto, BNP Paribas (“BNP”), as Administrative Agent and Collateral Agent, and BNP, Bank of America, N.A., JPMorgan Chase Bank, N.A., and PNC Bank National Association, each as Issuing Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Education Management Corporation filed on December 7, 2010)
10.5	Registration Rights Agreement, dated as of June 1, 2006, by and among EM Acquisition Corporation, GS Capital Partners V Fund, L.P., GS Capital Partners V Offshore Fund, L.P., GS Capital Partners V GmbH & Co. KG, GS Capital Partners V Institutional, L.P., Providence Equity Partners V L.P., Providence Equity Partners V-A L.P., Providence Equity Partners IV L.P., Providence Equity Operating Partners IV L.P. and the other shareholders that are signatory thereto (incorporated by reference to Exhibit 10.23 to Amendment No. 4 to the Registration Statement on Form S-1 of Education Management Corporation (File No. 333-148259))
10.6	Shareholders’ Agreement, dated as of October 7, 2009, by and among Education Management Corporation and each of the Shareholders named therein (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Education Management Corporation for its fiscal quarter ended September 30, 2009)
10.7	Letter of Credit Facility Agreement, dated as of November 30, 2011, among Education Management LLC, Education Management Holdings LLC, Bank of America, N.A., as Administrative Agent, Collateral Agent and Issuing Bank, and other parties thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Education Management Corporation filed on December 1, 2011)

Exhibit No.	Description
10.8	Letter of Credit Facility Agreement, dated as of March 9, 2012, among Education Management LLC, Education Management Holdings LLC, BNP Paribas, as Administrative Agent, Collateral Agent and Issuing Bank, and other parties thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Education Management Corporation filed on March 12, 2012)
10.9	Joinder Agreement to that certain Second Amended and Restated Credit and Guarantee Agreement, dated as of December 7, 2010, by and among the Company, Holdings, the Subsidiary Guarantors, the Lenders party thereto from time to time and BNP Paribas, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Education Management Corporation filed on April 2, 2012)
10.10	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.26 to Amendment No. 4 to the Registration Statement on Form S-1 of Education Management Corporation (File No. 333-148259))
10.11	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-K of Education Management Corporation for its fiscal quarter ended December 31, 2011)
10.12**	EDMC Stock Option Plan, effective August 1, 2006, as amended (incorporated by reference to Exhibit 10.9 to Amendment No. 1 to the Registration Statement on Form S-4 of Education Management LLC and Education Management Finance Corp. (File No. 333-137605)), amendments filed as Exhibit 10.01 to the Current Report on Form 8-K of Education Management LLC filed on March 15, 2007, Exhibit 10.01 to the Current Report on Form 8-K of Education Management LLC filed on April 5, 2007 and Exhibit 10.01 to the Current Report on Form 8-K of Education Management LLC filed on July 5, 2007)
10.13**	Form of Executive Time—Vested Stock Option Agreement (incorporated by reference to Exhibit 10.07 to the Current Report on Form 8-K of Education Management LLC filed on December 13, 2006)
10.14**	Form of Executive Performance—Vested Stock Option Agreement (incorporated by reference to Exhibit 10.08 to the Current Report on Form 8-K of Education Management LLC filed on December 13, 2006)
10.15**	Form of Amendment to Executive Performance—Vested Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Education Management Corporation filed on May 5, 2011)
10.16**	Education Management Corporation Long-Term Incentive Compensation Plan (previously filed as Exhibit 10.01 to the Current Report on Form 8-K of Education Management LLC filed on March 2, 2007)
10.17**	Education Management Corporation Omnibus Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Education Management Corporation for its fiscal quarter ended September 30, 2009)
10.18**	Form of Stock Option Agreement (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of Education Management Corporation for its fiscal quarter ended September 30, 2009)
10.19**	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of Education Management Corporation for its fiscal quarter ended September 30, 2009)
10.20**	Education Management LLC Retirement Plan, as amended and restated as of January 1, 2006 (previously filed as Exhibit 10.01 to the Current Report on Form 8-K of Education Management LLC filed on December 29, 2006)
10.21**	Employment Agreement dated February 8, 2007 among Education Management LLC, Education Management Corporation and Todd S. Nelson (incorporated by reference to Exhibit 10.02 to the Current Report on Form 8-K of Education Management LLC filed on February 14, 2007)
10.22**	Employment Agreement, dated as of June 1, 2006, between Education Management Corporation and Edward H. West (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-4 of Education Management LLC and Education Management Finance Corp. (File No. 333-137605))
10.23**	Employment Agreement, dated as of December 7, 2006, between Education Management LLC and Danny Finuf (incorporated by reference to Exhibit 10.30 to the Annual Report on Form 10-K of Education Management Corporation for its fiscal year ended June 30, 2010)
10.24**	Employment Agreement, dated as of December 7, 2006, between Education Management LLC and John M. Mazzoni (incorporated by reference to Exhibit 10.02 to the Current Report on Form 8-K of Education Management LLC filed on December 13, 2006)
10.25**	Employment Agreement, dated as of December 7, 2006, between Education Management LLC and John T. South, III (incorporated by reference to Exhibit 10.04 to the Current Report on Form 8-K of Education Management LLC filed on December 13, 2006)

Exhibit No.	Description
10.26**	Letter Agreement, dated as of December 7, 2006, between Education Management LLC and John T. South, III (incorporated by reference to Exhibit 10.05 to the Current Report on Form 8-K of Education Management LLC filed on December 13, 2006)
10.27**	Letter Agreement, dated March 30, 2007, between Education Management LLC and John T. South, III (incorporated by reference Exhibit 10.03 to the Current Report on Form 8-K of Education Management LLC filed on April 5, 2007)
10.28**	Employment Agreement, dated as of June 1, 2006, between Education Management Corporation and John R. McKernan, Jr. (incorporated by reference to Exhibit 10.15 to the Registration Statement on Form S-4 of Education Management LLC and Education Management Finance Corp. (File No. 333-137605))
10.29**	Letter Agreement, dated February 13, 2007, between Education Management Corporation and John R. McKernan, Jr. (incorporated by reference to Exhibit 10.03 to the Current Report on Form 8-K of Education Management LLC filed on February 14, 2007)
10.30**	Letter Agreement, dated June 28, 2007, between Education Management Corporation and John R. McKernan, Jr. (incorporated by reference to Exhibit 10.02 to the Current Report on Form 8-K of Education Management LLC filed on July 5, 2007)
10.31**	Employment Agreement, dated as of June 25, 2007, between Education Management LLC and Robert A. Carroll (incorporated by reference to Exhibit 10.28 to the Annual Report on Form 10-K of Education Management Corporation for its fiscal year ended June 30, 2010)
10.32**	Employment Agreement, dated as of August 11, 2009, between Education Management LLC and John R. Kline (incorporated by reference to Exhibit 10.32 to the Annual Report on Form 10-K of Education Management Corporation for its fiscal year ended June 30, 2010)
10.33**	Employment Agreement, dated as of December 7, 2006, between Education Management LLC and J. Devitt Kramer (incorporated by reference to Exhibit 10.29 to the Annual Report on Form 10-K of Education Management Corporation for its fiscal year ended June 30, 2010)
10.34**	Employment Agreement, dated as of December 7, 2006, between Education Management LLC and Stacey R. Sauchuk (incorporated by reference to Exhibit 10.03 to the Current Report on Form 8-K of Education Management LLC filed on December 13, 2006)
10.35**	Employment Agreement, dated as of October 22, 2007, between Education Management LLC and Craig Swenson (incorporated by reference to Exhibit 10.31 to the Annual Report on Form 10-K of Education Management Corporation for its fiscal year ended June 30, 2010)
10.36**	Employment Agreement, dated as of April 23, 2007, between Education Management LLC and Roberta Troike (incorporated by reference to Exhibit 10.33 to the Annual Report on Form 10-K of Education Management Corporation for its fiscal year ended June 30, 2010)
12.1*	Statement re computation of ratios
21.1*	List of Subsidiaries
23.1*	Consent of Ernst & Young LLP
31.1*	Certification of Edward H. West required by Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Randall J. Killeen required by Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Edward H. West required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Randall J. Killeen required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002
101*	Interactive Data File

* Filed herewith. All other exhibits were previously filed.

** Management contract or compensatory plan or arrangement.

Attachment 8 - Facilities

Quad Cities

<u>Exhibit "A"</u>

Legal Description of Land

Legal Description
Quad Cities

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF SCOTT, STATE OF IOWA AND IS DESCRIBED AS FOLLOWS:

Part of the West Half of the Southeast Quarter of Section 20 in Township 78 North, Range 4 East of the 5th P.M. being more particularly described as follows:

Commencing at the Northwest Corner of the Southeast Quarter of said Section 20; thence South (assumed bearing for this survey) 646.90 feet on the West line of the Southeast Quarter of said Section 20 to the point of beginning of the tract of real estate herein intended to be described (which point of beginning is the Southwest Corner of the tract of real estate conveyed to J.D. KeHoe and Edice M. KeHoe by deed recorded on September 25, 1940 in Book 82 of Land Deeds, page 501, records of Scott County, Iowa;

1. Thence South 89°54'36" East (along the Southerly line of the tract of real estate so conveyed to J.D. KeHoe and Edice M. KeHoe) 921.07 feet to the West line of Interstate Highway No. 74;

2. Thence South 11°18'17" East on the Westerly line of Interstate Highway No. 74 for a distance of 172.12 feet;

3. Thence South 01°24'55" East along the Westerly line of Interstate Highway No. 74, 378.86 feet to the Southeasterly corner of real estate owned by Joseph Siefers;

4. Thence South 89°57'45" West along the Southerly line of the real estate so owned by Joseph Siefers a distance of 789.17 feet;

5. Thence North 100.00 feet;

6. Thence South 89°57'45" West 175.00 feet to the West line of the Southeast Quarter of said Section 20;

Thence North 449.60 feet on the West line of the Southeast Quarter of said Section 20 to the point of beginning.

EXHIBIT "B" (1 of 2)

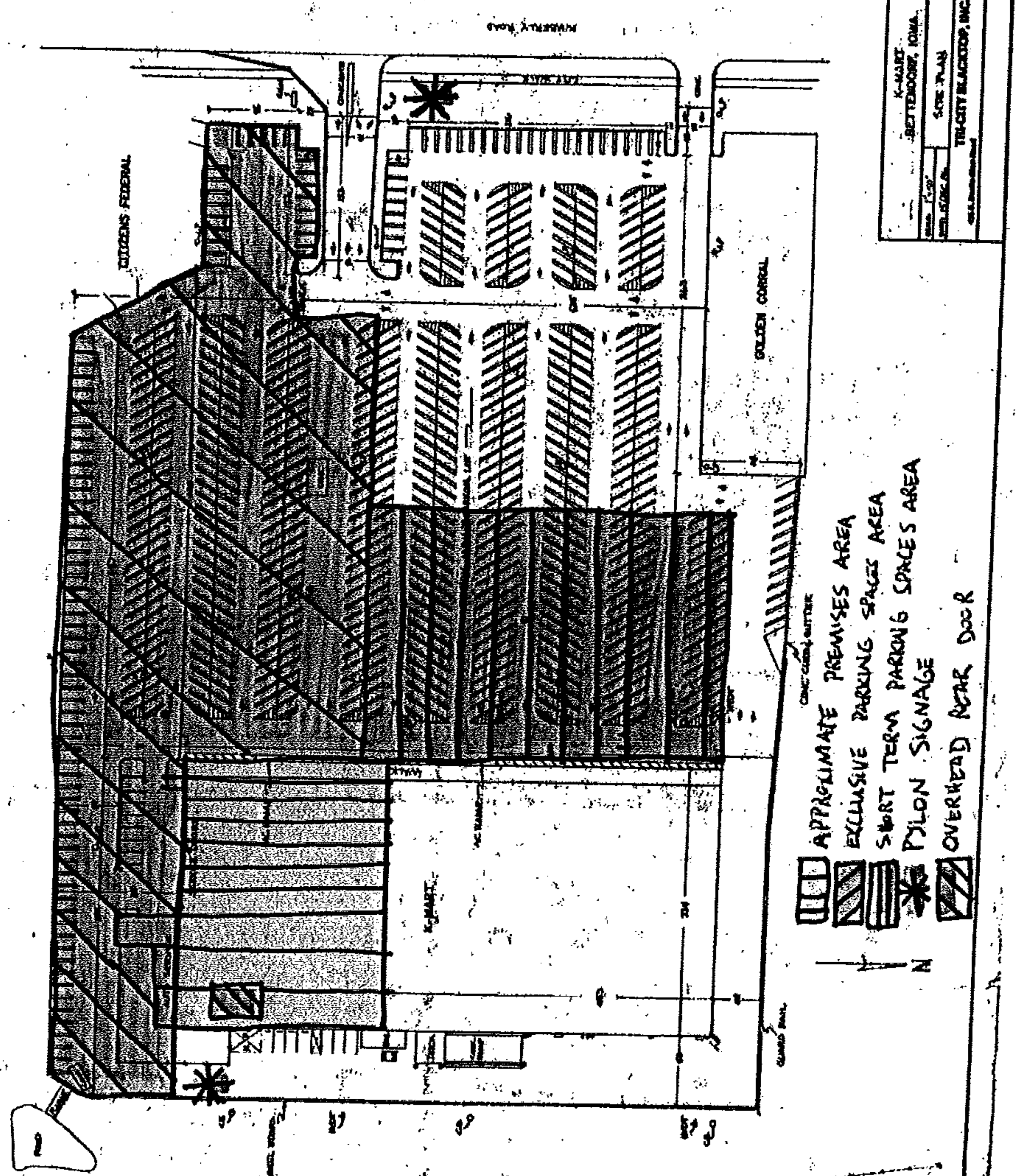
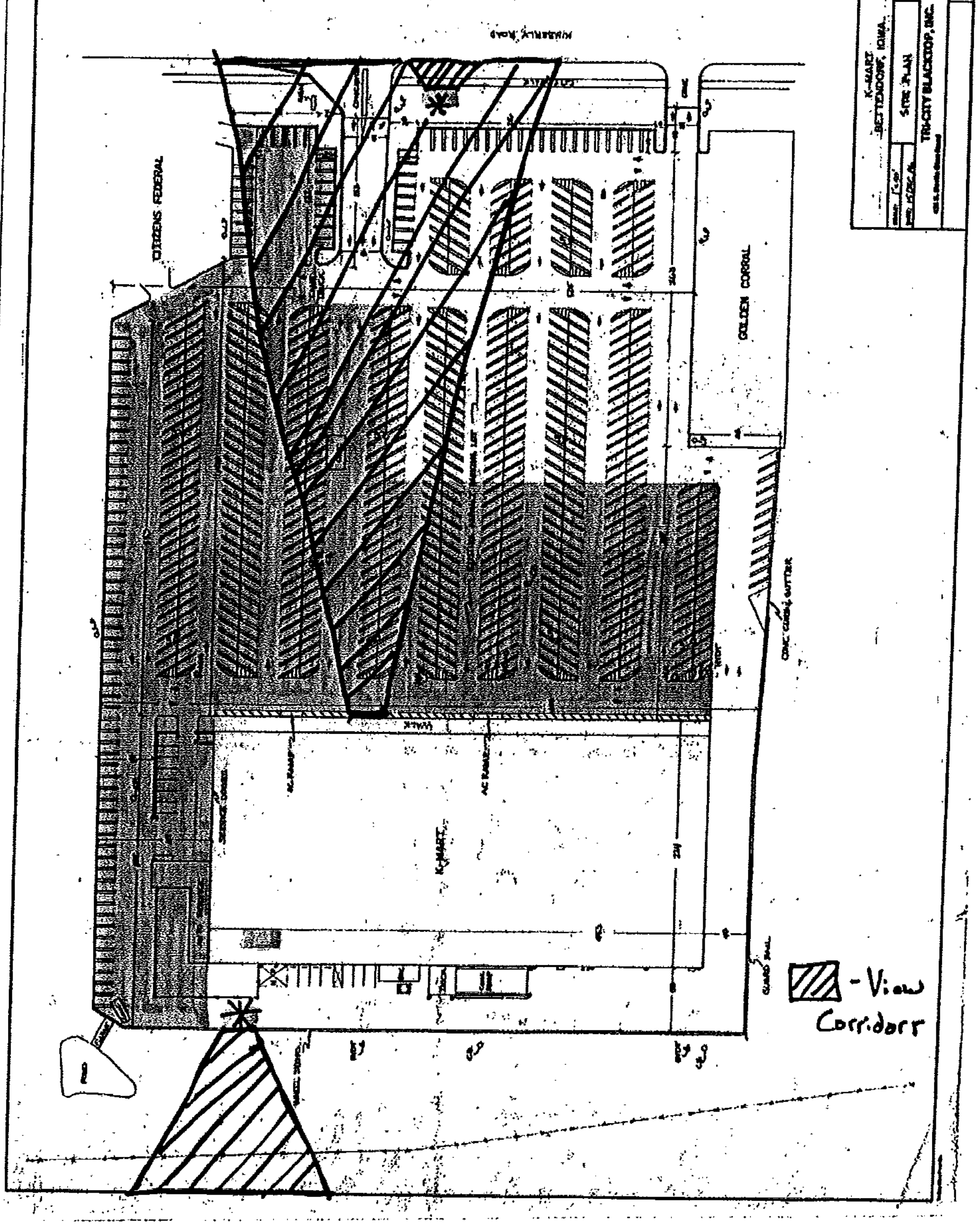


EXHIBIT "B" (2 of 2)



- View Corridors

Exhibit "C"

Landlord's Work

There is no Landlord's Work in connection with this Lease, except for the work identified in Section 8.1(b).

Tenant's Work

To induce Tenant and Landlord each to enter into the Lease, Landlord and Tenant mutually agree as follows:

1. Definitions. The terms defined in this Exhibit shall have the meanings specified herein, and terms defined in the Lease shall, for the purposes of this Exhibit, have the meanings specified therein.

"Construction Documents" means the construction drawings, plans and specifications referred to in paragraph 2 below.

"Tenant Improvements" means the aggregate of improvements applicable to the Premises, as contemplated by the Construction Documents and this Exhibit, which may include Special Improvements.

2. Construction Documents; Payments.

Tenant acknowledges that Landlord has delivered to Tenant's architect all available as-built/base building plans in AutoCAD format. Landlord represents to Tenant that, based on Landlord's actual knowledge, Landlord has no reason to believe that any such as-built/base building plans are inaccurate and/or incomplete.

In connection with the Tenant Improvements to be constructed by or on behalf of Tenant, Tenant shall cause to be prepared full plans and specifications (the "Plans") for the Tenant Improvements and shall deliver such Plans (both Auto CAD and full sized paper copies) to Landlord for its review and approval, which approval will not be unreasonably withheld, conditioned or delayed. Landlord shall review such Plans and will approve, make suggestions or require changes with respect to such Plans within five (5) business days after receipt. If such consent is not granted or denied within such five (5) business day period, then Landlord's consent shall be deemed to be granted. If such Plans are not approved, Landlord shall provide Tenant with a reasonably detailed narrative that explains such disapproval and identifies the changes that are required to the Plans and Tenant shall modify and resubmit such Plans to Landlord within five (5) business days after Tenant's receipt of Landlord's comments. Thereafter, Landlord shall have three (3) business days to review and approve or disapprove of Tenant's revised plans. If such consent is not granted or denied within such three (3) business day period, then Landlord's consent shall be deemed to be granted. Such process shall continue until Landlord has approved or been deemed to have approved the Plans for the Tenant Improvements. Landlord shall fully cooperate with Tenant in obtaining all permits for the

Tenant Improvements, including, without limitation, execution of all applications, documents and instruments required for the issuance of the permits.

From time to time, Tenant may request change orders to the work set forth in the Plans. Landlord shall review such change orders and shall approve or require changes within three (3) business days after receipt, which approval will not be unreasonably withheld, conditioned or delayed. If such consent is not granted or denied in the manner set forth in the preceding paragraph within such three (3) business day period, Landlord's consent to such change order shall be deemed to be granted.

Notwithstanding anything contained in this Exhibit or the Lease to the contrary, if the Landlord and Tenant, acting reasonably and in good faith, have not approved the final Plans on or before December 31, 2009, then Tenant shall have the right to terminate this Lease by delivering written notice thereof to Landlord in which case this Lease shall be null and void and of no further force and effect.

The disbursement requirements for the Allowance, if any, to be paid by Landlord to fund the cost of performing and constructing the Tenant Improvements are included in Article 5 of the Lease; provided, further that in no event shall the Allowance, if any, fund any furnishings, trade fixtures, Tenant-specific equipment or relcom and data related improvements that are included within the Tenant Improvements.

3 Tenant Improvements.

3.1 The following provisions shall apply to the construction of the Tenant Improvements:

(a) All work involved in the completion of the Tenant Improvements shall be carried out by Tenant and its agents and contractors under the sole direction of Tenant. Landlord shall cooperate to a commercially reasonable extent with Tenant and its agents and contractors to promote the efficient and expeditious completion of the Tenant Improvements;

(b) Tenant agrees to construct the Tenant Improvements in accordance with the Construction Documents and Applicable Laws; and

(c) Tenant shall be permitted to use the area above any hung ceiling or the floor below the Premises, underdecking of the floor above the Premises, and similar areas outside the Premises for the installation of plumbing or poke through electrical devices and similar items as Tenant may reasonably require in connection with the construction of the Tenant Improvements, provided that such does not materially interfere with Landlord's use of the Building.

3.2 Tenant Improvements shall include the following:

(a) A security system, which may include cameras to monitor access to and from the Premises, as well as activities within the Premises;

(c) A key-card access control system for the Premises and Building;

(d) Any additional electrical lines and/or equipment required to operate Tenant's business within the Premises;

(e) HVAC units(s) and/or system, if necessary; and

(f) Any other improvement indentified on Tenant's Plans and/or Construction Documents.

(g) All interior window wall and glazing changes, if any (subject to Landlord's approval as set forth herein, which approval shall not be unreasonably withheld, conditioned or delayed); and

(h) Other improvements identified on Tenant's Plans.

3.3 All changes in the Tenant Improvements required by Tenant shall be made by written change order. Each such change must receive the prior written approval of Landlord, which shall not be unreasonably withheld, conditioned or delayed. If Landlord fails to respond within three (3) business days after delivery of a change order request from Tenant, then such change order request shall be deemed to be approved.

4 Tenant's Access to Premises.

Landlord shall permit Tenant and Tenant's agents or independent contractors to enter the Premises prior to the Commencement Date in order to allow Tenant to do other work as may be required by Tenant to make the Premises ready for Tenant's use and occupancy, subject to the applicable provisions of the Lease. Tenant and Tenant's agents, contractors, workmen, mechanics, suppliers, and invitees shall work in harmony and not unreasonably interfere with Landlord and its agents and contractors in doing its work in the Premises or the Building or with other tenants and occupants of the Building. If applicable, Landlord shall make at least one (1) elevator available to Tenant in connection with the completion of the Tenant Improvements. Tenant shall not be required to pay for any costs or expenses in connection with the use of the freight/construction elevator, even if Tenant uses the same after standard business hours for the Building.

Exhibit "D"

[Intentionally Deleted]

Exhibit "E"

august

5209 PENNSYLVANIA AVENUE
NASHVILLE, TENNESSEE 37209
TEL: 615.463.2655
FAX: 615.463.2645

CLIENT:

EDMC
210 Sixth Ave 3rd Floor
Pittsburgh PA 15222
Tammy Foster

SHIP:

SAME: ☐

INSTALL:

SAME: ☐

DRAWN BY:

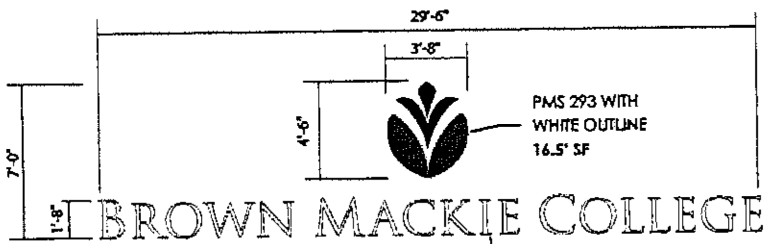
Phillip Petty

APPROVAL:

Signature:________

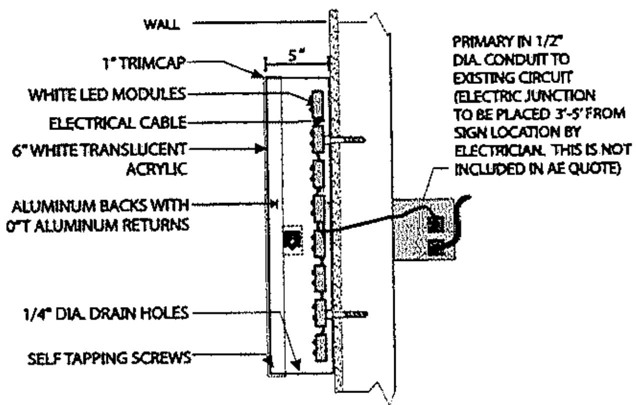
Date:________

JOB NAME: BMC QUAD CITIES	JOB#: 9645	DRAWING: CHANNEL LETTERS
DUE DATE:	START DATE:	PROJECT MANAGER: Sonja Jones

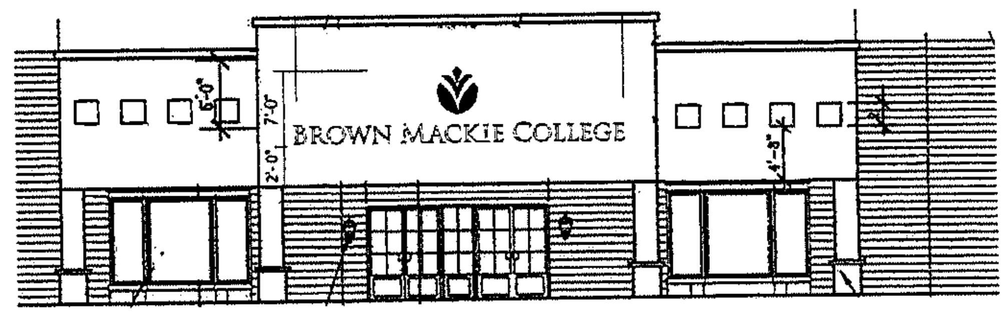


TOTAL SQUARE FOOTAGE: 65.7

SQUARE FOOTAGE ALLOWED BY CODES: 300



SECTION



ELEVATION

REVISIONS: NO.	DATE	
1	070809	DETAILS ADDED
2	071409	NOTES ADDED
5	091109	COLOR CHANGE

CUT FILE PATH: EDMC\9645 MOLINE\5PRODUCTION

JOB NAME: BMC QUAD CITIES	**JOB#:** 9645	**DRAWING:** EXISTING PYLON SIGN
DUE DATE:	**START DATE:**	**PROJECT MANAGER:** Sonja Jones

august

5209 PENNSYLVANIA AVENUE
NASHVILLE, TENNESSEE 37209
TEL: 615.463.2655
FAX: 615.463.2645

CLIENT:

EDMC
210 Sixth Ave 3rd Floor
Pittsburgh PA 15222
Tammy Foster

SHIP:

SAME: ☐

INSTALL:

SAME: ☐

DRAWN BY:

Phillip Petty

APPROVAL:

Signature:____________

Date:____________

TRANSLUCENT ACRYLIC
WITH VINYL LETTERS

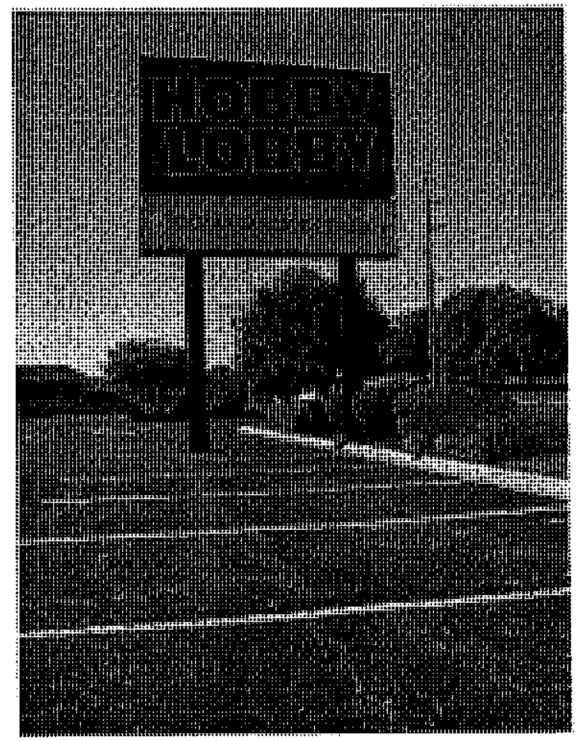
FIELD DIMENSIONS REQUIRED

PMS 293

BLACK

ELEVATION

NOTE: SIGN TO BE DOUBLE-SIDED



REVISIONS:

NO.	DATE	
1	070809	DETAILS ADDED

CUT FILE PATH: EDMC\9645 MOLINE\5PRODUCTION

JOB NAME: BMC QUAD CITIES	**JOB#:** 9645	**DRAWING:** PYLON SIGN
DUE DATE:	**START DATE:**	**PROJECT MANAGER:** Sonja Jones

august

5209 PENNSYLVANIA AVENUE
NASHVILLE, TENNESSEE 37209
TEL: 615.463.2655
FAX: 615.463.2645

CLIENT:

EDMC
210 Sixth Ave 3rd Floor
Pittsburgh PA 15222
Tammy Foster

SHIP:

SAME: ☐

INSTALL:

SAME: ☐

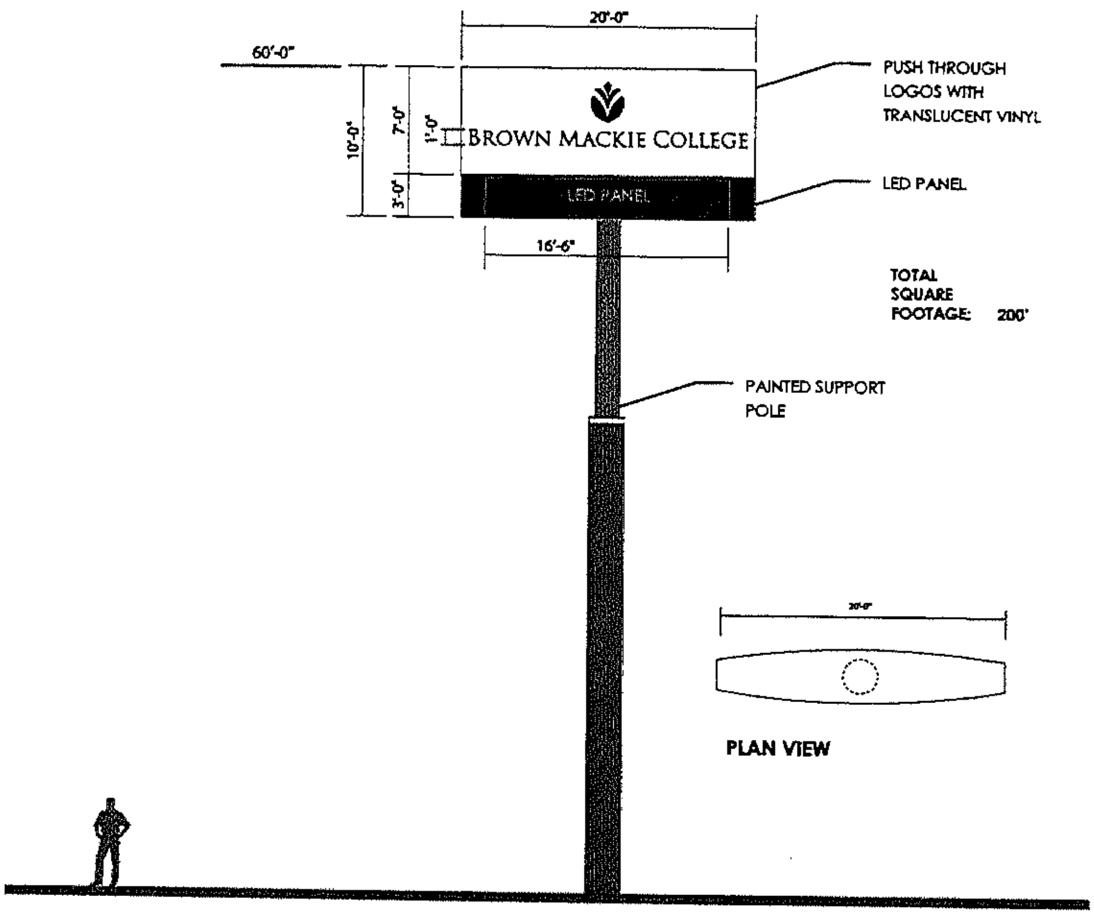
DRAWN BY:

Phillip Petty

APPROVAL:

Signature:__________

Date:__________



TOTAL SQUARE FOOTAGE: 200'

NOTE: SIGN & LED TO BE DOUBLE SIDED
D.O.T. APVL REQUIRED 1ST ----
D.O.T. APVL MUST BE SUBMITTED WITH PERMIT APP TO CITY FOR PERMIT/VARIANCE

SQUARE FOOTAGE ALLOWED BY CODES: 300

REVISIONS:

NO.	DATE	
1	070809	DETAILS ADDED
3	071409	PYLON ADDED
5	091109	HEIGHTS CHANGED
8	091809	SF ADDED

CUT FILE PATH: EDMC\9645 MOLINE\5PRODUCTION

august

5209 PENNSYLVANIA AVENUE
NASHVILLE, TENNESSEE 37209
TEL: 615.463.2655
FAX: 615.463.2645

JOB NAME: BMC QUAD CITIES	JOB#: 9645	DRAWING:
DUE DATE:	START DATE:	PROJECT MANAGER: Sonja Jones

CLIENT:

EDMC
210 Sixth Ave 3rd Floor
Pittsburgh PA 15222
Tammy Foster

SHIP:

SAME: ☐

INSTALL:

SAME: ☐

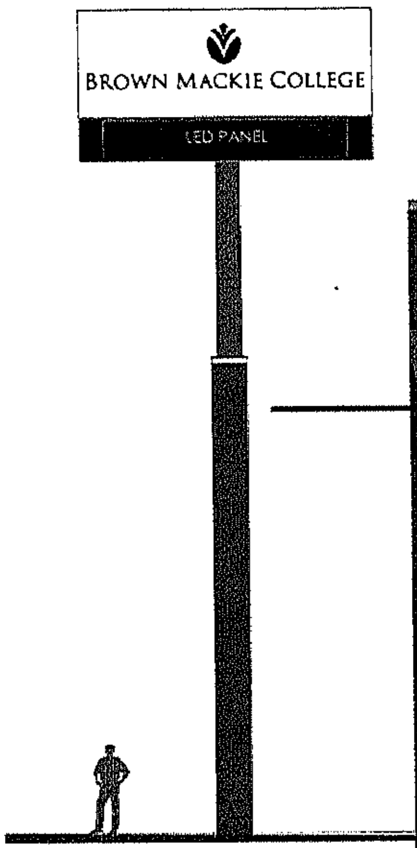
DRAWN BY:

Phillip Petty

APPROVAL:

Signature:____________

Date:____________



CUT FILE PATH: EDMC\9645 MOLINE\5PRODUCTION

Exhibit "F"

THIS INSTRUMENT PREPARED BY
AND WHEN RECORDED SEND TO:

Benesch Friedlander Coplan & Aronoff LLP
200 Public Square, Suite 2300
Cleveland, Ohio 44114
Attention: Robert C. Ondak, Jr.

MEMORANDUM OF LEASE

This is a Memorandum of Lease ("Memorandum") by and between **JOSEPH R. MILLER KIMBERLY ROAD TRUST, LLC**, an Iowa limited liability company, hereinafter referred to as "Landlord", and **AMERICAN EDUCATION CENTERS, INC.**, a Delaware corporation, hereinafter referred to as "Tenant", upon the following terms:

1. Master Lease: Landlord is leasing the Property (hereinafter defined) and all improvements therein, including the Building, pursuant to the terms of that certain lease by and between (1) Joan P. Siefers, individually and as Executrix of the Estate of Joseph P. Siefers, deceased; (2) Mary M. Briegel, Trustee of the Mary M. Briegel Revocable Trust dated August 30, 2004, and (3) Kimberly Road, LLC, an Iowa Limited Liability Company, as successor-in-interest to Margaret Siefers, Joseph P. Siefers, Gregory W. Siefers and Elmer Siefers, as landlord, and Landlord, as successor-interest to Joseph R. Miller, as Trustee of the Joseph R. Miller Living Trust, successor-in-interest to Joseph R. Miller, successor-in-interest to Hanover Bettendorf, Inc., as tenant, which lease is evidenced by a Memorandum of Lease, dated September 30, 1971, recorded June 16, 1972, as Document No. 8093-72.

2. Lease: Lease Agreement between Landlord and Tenant dated November __, 2009.

3. Description of Premises: Premises containing 29,921 rentable square feet within that certain building (the "Building"), containing a total of 94,500 rental square feet, located upon that certain real property having an address of 2119 East Kimberly Road, Bettendorf, Iowa 52722 (the "Property"), as more particularly described in Exhibit "A" attached hereto and made a part hereof.

4. Notice of Lease: Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises, subject to and in accordance with the terms, provisions, covenants,

conditions, restrictions, limitations and agreements contained in the Lease, all of which are, by this reference, incorporated into this Memorandum in their entirety as if fully set forth herein.

5. Term: Approximately ten (10) years commencing on the Commencement Date; however, in no event shall the initial Term be greater than ten (10) years and four (4) months.

6. Renewal Options: One (1) Renewal Option to extend the term of the Lease for an additional period of three (3) years.

7. Relinquishment/Expansion Options: Subject to certain terms and conditions provided for in the Lease, Tenant shall have the right to deliver up and surrender possession of up to 9,921 rentable square feet of the Premises to Landlord at the end of the second (2^{nd}) Lease Year of the Term (the "Relinquished Premises"). Subject certain terms and conditions provided for in the Lease, in the event that Tenant surrenders possession of the Relinquished Premises to Landlord, Tenant shall have a right of first offer to lease with respect to the Relinquished Premises for a period of seven hundred thirty (730) days following the date Tenant surrenders possession of the Relinquished Premises to Landlord.

8. Exclusive: During the Term, and any renewal or extension thereof, no portion of the Building or the Property, except for the Premises occupied by Tenant (or its permitted assignee or sublessee) (the "**Restricted Area**"), shall be used for, and Landlord will not enter into or permit any lease, license or occupancy agreement for any space in the Restricted Area or sell any portion of the Restricted Area under terms that would allow for the operation of any educational facility or otherwise permit any portion of the Restricted Area to be used as a post-secondary graduate or post-graduate education facility that is in competition with all or any portion of Tenant's use as provided for in Section 6.1 of the Lease. The rights of Tenant under this Section shall be enforceable by any permitted assignee, sublessee, licensee or other transferee.

9. Prohibited Uses: Landlord further covenants and agrees that Landlord shall not during the Term, or any renewal or extension thereof, enter into or permit a lease, license agreement, occupancy agreement or other agreement, or otherwise transfer a possessory interest in the Building and/or Property to a tenant or occupant for any (i) of the following uses: a facility which engages in the sale of pornographic material (as determined by community standards in the Bettendorf, Iowa area), any striptease or topless establishment, any so-called "head shop" or store that sells bongs, coke spoons, roach clips and/or other drug paraphernalia, pawn shop, check cashing business, "Pay Day Loans" or similar businesses, an off track betting facility or other gambling establishment "adult movie theaters", tattoo parlors, a flea market, an abortion clinic, an auto or truck garage or service facility (including quick lube), a car rental agency, a convenience store, a bar, lounge, nightclub, music hall or disco or a so-called "package store" for the sale of alcoholic beverages or for a known illegal use and/or (ii) use or purpose that generates noise, odors or vibrations beyond the premises of a particular tenant or occupant that unreasonably interferes with Tenant's use as contemplated in this Lease.

10. Parking: Throughout the entire Term, and any extension or renewal thereof, Landlord shall provide, free of charge, for use by Tenant and its permitted successors and assigns, and their employees, invitees, guests and licensees, access and exclusive use of parking

spaces at the Building equal to eight (8) spaces per one thousand (1,000) rentable square feet leased hereunder, which exclusive parking spaces are shown on the Site Plan available to the tenants and occupants of Building and their respective permitted guests, licensees and enrolled students, and at all times Landlord shall maintain a parking ratio of eight (8) spaces per one thousand (1,000) rentable square feet of leased area within the Building and any other buildings now or in the future located on the Land. Access to and use of the parking area shall be available twenty-four (24) hours per day, three hundred sixty-five (365) days per year.

11. Purpose. The purpose of this Memorandum is to give record notice of the Lease and of the rights created thereby, all of which are hereby confirmed.

12. Counterparts. This Memorandum may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, taken together, shall be deemed to be one and the same instrument.

13. Definitions: Capitalized terms used herein shall have the meanings provided in the Lease, unless otherwise provided herein.

Remainder of Page Intentionally Blank

The parties have executed this Memorandum as of the dates set forth in their respective acknowledgments.

WITNESSES:

FELICE LEVI-MILLER

BENNETT MILLER

LANDLORD:

JOSEPH R. MILLER KIMBERLY ROAD TRUST, LLC
an Iowa limited liability company

By: ______________________________
Joseph Russell Levi (Print Name)
Its: Manager
MANAGER

WITNESSES:

____

____

TENANT:

AMERICAN EDUCATION CENTERS, INC.
a Delaware corporation

By: ______________________________
Scott Smith
Its: Vice President, Corporate Real Estate

Acknowledgment of Tenant

STATE OF)
) SS:
COUNTY OF)

Personally appeared before me, a Notary Public in and for the above County and State, Scott Smith, known personally by me and acknowledged by me to be on the date of execution, the Vice President, Corporate Real Estate, of **AMERICAN EDUCATION CENTERS, INC.**, a Delaware corporation, and he executed the foregoing for and on behalf of said corporation being thereunto duly authorized.

Witnessed by hand and this notarial seal this _____ day of November, 2009.

Notary:________________________

[NOTARIAL SEAL]

Print Name:_______________________

Notary Public, State of _______________

My Commission expires:______________

Acknowledgment of Landlord

STATE OF Illinois)
) SS:
COUNTY OF Cook)

Personally appeared before me, a Notary Public in and for the above County and State, Joseph R Miller, known personally by me and acknowledged by me to be on the date of execution, Manager of **JOSEPH R. MILLER KIMBERLY ROAD TRUST, LLC**, and he/she executed the foregoing for and on behalf of said limited liability company being thereunto duly authorized.

Witnessed by hand and this notarial seal this 21st day of November, 2009.

Notary: Therese S. Wrobel

[NOTARIAL SEAL]

OFFICIAL SEAL
THERESE S. WROBEL
Notary Public - State of Illinois
My Commission Expires Jun 02, 2013

Print Name: THERESE S. WROBEL

Notary Public, State of Illinois

My Commission expires: 6/2/2013

Exhibit "A"

Legal Description of Land

Legal Description
Quad Cities

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF SCOTT, STATE OF IOWA AND IS DESCRIBED AS FOLLOWS:

Part of the West Half of the Southeast Quarter of Section 20 in Township 78 North, Range 4 East of the 5th P.M. being more particularly described as follows:

Commencing at the Northwest Corner of the Southeast Quarter of said Section 20; thence South (assumed bearing for this survey) 646.90 feet on the West line of the Southeast Quarter of said Section 20 to the point of beginning of the tract of real estate herein intended to be described (which point of beginning is the Southwest Corner of the tract of real estate conveyed to J.D. KeHoe and Edice M. KeHoe by deed recorded on September 25, 1940 in Book 82 of Land Deeds, page 501, records of Scott County, Iowa;

1. Thence South 89°54'36" East (along the Southerly line of the tract of real estate so conveyed to J.D. KeHoe and Edice M. KeHoe) 921.07 feet to the West line of Interstate Highway No. 74;

2. Thence South 11°18'17" East on the Westerly line of Interstate Highway No. 74 for a distance of 172.12 feet;

3. Thence South 01°24'55" East along the Westerly line of Interstate Highway No. 74, 378.86 feet to the Southeasterly corner of real estate owned by Joseph Siefers;

4. Thence South 89°57'45" West along the Southerly line of the real estate so owned by Joseph Siefers a distance of 789.17 feet;

5. Thence North 100.00 feet;

6. Thence South 89°57'45" West 175.00 feet to the West line of the Southeast Quarter of said Section 20;

Thence North 449.60 feet on the West line of the Southeast Quarter of said Section 20 to the point of beginning.

Exhibit "G"

LEASE GUARANTY

In order to induce JOSEPH R. MILLER KIMBERLY ROAD TRUST, LLC ("Landlord") to execute a certain Lease Agreement (the "Lease") dated as of even date herewith between Landlord and American Education Centers, Inc., a Delaware corporation ("Tenant"), covering those certain premises in a building located at 2119 East Kimberly Road, Bettendorf, Iowa 52722, as more fully described in the Lease, the undersigned ("Guarantor") hereby guarantees unto Landlord the payment and performance of (i) all of the rent and other sums or charges which may ever become due and payable by Tenant under the Lease, including, without limitation, rent that becomes due and payable by reason of the exercise of any power to accelerate granted to Landlord under the Lease and any damages or other sums that become payable on account of any default by Tenant under the Lease, and (ii) all of the other obligations, liabilities and duties of Tenant under the Lease (the rental, other sums and charges and other obligations, liabilities and duties described in the foregoing clauses (i) and (ii) being hereinafter collectively referred to as the "Obligations"). In the event of default by Tenant in the payment or performance of any of the Obligations, Guarantor shall on demand of Landlord pay the amount due to Landlord and perform all of the other Obligations of Tenant with respect to which Tenant is then in default. For the purposes hereof, the term "Tenant" shall include any assignee of Tenant and the term "Lease" shall include any amendment or modification of the Lease effected by Landlord and Tenant, with or without the consent or knowledge of Guarantor.

Landlord shall not be required, before invoking the benefits of this Guaranty, to institute suit against or exhaust its remedies with respect to Tenant or any other person liable for the Obligations or to enforce its rights with respect to any security which shall have ever been given to secure the payment and performance of the Obligations; and the obligations of Guarantor hereunder shall not be released or impaired in any way by any neglect, delay, omission, failure or refusal of Landlord to take or prosecute any action for the collection or enforcement of the Obligations, or any failure of Landlord to give Guarantor any notice of any kind under any circumstances whatsoever with respect to or in connection with the Obligations. Suit may be brought and maintained against Guarantor without the joinder of Tenant or any other person, and in the event that there is more than one guarantor of the Obligations, Landlord may (i) bring suit against all guarantors jointly and severally or against any one or more of them, (ii) compound or settle with any one or more of such guarantors for such consideration as Landlord may deem proper, and (iii) release one or more of the guarantors from liability without impairing the liability of the guarantors not so released; and no action brought by Landlord against any one Guarantor of the Obligations shall impair the right of Landlord to bring suit against any remaining Guarantor or Guarantors.

The obligations of Guarantor shall be irrevocable and unconditional, irrespective of the genuineness, validity, regularity or enforceability of the Lease or any security given for the Obligations or any other circumstances which might otherwise constitute a legal or equitable discharge of a surety or guarantor, and Guarantor waives the benefit of all principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Guaranty, and agrees that the obligations of Guarantor shall not be affected by any circumstances, whether or not referred to in this Guaranty which might otherwise constitute a legal or equitable discharge of a surety or a guarantor. Without limiting the generality of the foregoing, Guarantor agrees that Landlord may, in its sole and absolute discretion, without notice to or consent by Guarantor, and without in any way releasing or impairing any liability or obligation of Guarantor hereunder (i) waive compliance by Tenant with any of its Obligations or covenants under the Lease or waive any default thereunder, or grant any other indulgence with respect to the Lease, (ii) modify, amend or change any provision of the Lease, (iii) grant extensions or renewals of the Lease or the Obligations thereunder, or effect any release, compromise or settlement in connection therewith, including any release of the liability of Tenant or any one Guarantor or other person liable on the Obligations or any part thereof, (iv) transfer its interest in the Premises covered by the Lease or its rights under this Guaranty, (v) consent to the assignment by Tenant of its rights under the Lease, and (vi) deal in all respects with Tenant and the Obligations as if this Guaranty were not in effect. Guarantor further waives (a) notices of acceptance of this Guaranty, (b) notices to Guarantor of any kind in any circumstances whatsoever, including, without limitation, notice of dishonor and notice of any default by Tenant under the Lease and all waivers or indulgences granted by Landlord to Tenant under the Lease, and (c) diligence, presentment and suit on the part of Landlord in the enforcement of any of the Obligations.

This Guaranty shall be enforceable despite any exculpation from liability granted to Tenant under the Lease, with the same force and effect as if no such exculpation from liability had been granted to Tenant.

Guarantor agrees to pay the reasonable attorneys' fees and all other costs and expenses incurred by Landlord in order to enforce its rights under this Guaranty.

Guarantor shall provide to Landlord within thirty (30) days following Landlord's request therefore, estoppels and/or Guarantor's financial reports, audited or certified by an officer of Guarantor.

In the event any payment by Tenant to Landlord is held to constitute a preference under the bankruptcy laws, or if for any other reason Landlord is required to refund such payment or pay the amount thereof to any other party, such payment by Tenant to Landlord shall not constitute a release of Guarantor from any liability hereunder, but Guarantor agrees to pay such amount to Landlord upon demand. Guarantor's liability hereunder shall in no way be affected by (i) the release or discharge of Tenant in any creditors', receivership, bankruptcy or other proceedings; (ii) the impairment, limitation or modification of the liability of Tenant or the estate of Tenant in bankruptcy, or of any remedy for the enforcement of Tenant's said liability under the Lease, resulting from the operation of any present or future provision of the United States Bankruptcy Code or other statute or from the decision in any court; (iii) the rejection or disaffirmance of the Lease in any such proceedings; (iv) the assignment or transfer of the Lease by Tenant; (v) any disability or other defense of Tenant; or (vi) the cessation from any cause whatsoever of the liability of Tenant.

Until the Obligations have been paid in full, Guarantor shall not have any right of subrogation unless such right is expressly granted in writing by Landlord. Any indebtedness of

Tenant held by Guarantor is hereby subordinated to this Guaranty; and any such indebtedness of Tenant to Guarantor, if Landlord so requests, shall be collected, enforced and received by Guarantor as trustee for Landlord and shall be paid over to Landlord in order to satisfy the Obligations guaranteed hereunder.

Landlord in its sole discretion may apply all payments received by it from Tenant, Guarantor or any other guarantor under any other instrument, or realized by it from any security in such manner and order or priority as Landlord sees fit, to any of the Obligations of Tenant, whether or not any of the Obligations to which any payment is applied are due at the time of such application.

This Guaranty shall apply to the Lease, any extension or renewal thereof and to any holdover term following the expiration of any lease term or renewal thereof.

This Guaranty shall be construed in accordance with and governed by the laws of the State of Iowa.

This Guaranty shall be binding upon Guarantor and the successors and assigns of each of the persons comprising Guarantor, and shall inure to the benefit of Landlord and its successors and assigns. This instrument may not be changed, modified, discharged or terminated orally or in any manner other than by an agreement executed in writing by Guarantor and Landlord.

(remainder of page intentionally left blank)

EXECUTED this ____ day of November, 2009.

GUARANTOR:

Education Management LLC
a Delaware limited liability company

By: ______________________________
_____________________ (Print Name)
Its: ______________________________

Exhibit "H"

Zoning Letter

Bettendorf IOWA
a premier city
1609 State Street • Bettendorf, Iowa 52722-4937 • (563) 344-4000

May 28, 2009

Mr. Blake St. Onge
Fischer & Company
13455 Noel Road
Suite 1900
Dallas, TX 75240

Dear Mr. St.Onge:

In your conversation with Bill Connors, Community Development Director, you mentioned an interest in placing a Brown Mackie College in the 2100 block of Kimberly Road. From what information we have about your school, 95% of this school will be general classroom. 5% of the school will be related to veterinary operations. No animals will be held overnight. Only domestic animals will be permitted on site (canines, felis catus, guinea pigs, gerbils, tortoises and other common house hold pets) which staff interprets as the type of animals which are not exotic animals as defined by Section 19-36 of the City Code.

Under the provisions of the 15.22.5.(e) & (g) School or college or vocational school is permitted in this C-2, Community Shopping District. Our understanding is that as long as the conditions presented to staff about the operation of this school remain constant, the use may continue. We view the veterinary area of this school as described by you as an as an accessory use in the C-2, Community Shopping District. If at any time this operation were to change from the terms discussed, staff would need to reevaluate the school and see if the operation would be defined as something other than a school, such as a veterinary clinic or kennel.

Any licensure from the State of Iowa or United States government to operate this veterinary school within the City of Bettendorf needs to be acquired and copies of licensure furnished to the Community Development Department.

Please contact us with any questions at 563 / 344-4055.

Sincerely,

Gregory W. Beck
Greg Beck
City Planner

Exhibit "I"

Permitted Title Exceptions

1. Easement for public highway purposes, in favor of the State of Iowa, dated April 14, 1937, recorded May 3, 1937, in Book 81, page 193.

2. Limitation of access to Interstate Highway No. 1-74, as set forth in warranty deed, dated October 27, 1965, recorded November 2, 1965, in Book 291, page 427.

3. Easement for electric transmission line purposes, in favor of Iowa-Illinois Gas and Electric Company, dated April 14, 1972, recorded June 1, 1972, as Document No. 7182-72.

4. Terms and conditions of lease ("Master Lease"), by and between Margaret Siefers, Joseph P. Siefers, Gregory W. Siefers and Elmer Siefers, as Landlord, and Hanover Bettendorf, Inc., as Tenant, as evidenced by Memorandum of Lease, dated September 30, 1971, recorded June 16, 1972, as Document No. 8093-72; the Tenant's interest therein assigned to Joseph R. Miller, by quit claim deed, dated December 18, 1972, recorded February 26, 1973, as Document No. 2703-73, and by Assignment of Lease, dated December 18, 1972, recorded February 26, 1973, as Document No. 2704-73; and as further assigned to Joseph R. Miller, as Trustee of the Joseph R. Miller Living Trust, by Assignment of Lease, dated December 31, 1991, recorded January 14, 1992, as Document No. 990-92.

5. Interest of Joseph R. Miller, Trustee of the Joseph R. Miller Trust dated July 25, 1991, named as Tenant in instruments appearing of record as Documents No. 2007-34729 and 2008-32204.

Exhibit "J"

THIS INSTRUMENT PREPARED BY AND WHEN RECORDED SEND TO:

Benesch Friedlander Coplan & Aronoff LLP
200 Public Square, Suite 2300
Cleveland, Ohio 44114
Attention: Robert C. Ondak, Jr.

RECOGNITION AGREEMENT

THIS RECOGNITION AGREEMENT ("Agreement") dated as of November ___ 2009 by and among **JOAN P. SIEFERS**, individually and as Executrix of the Estate of Joseph P. Siefers, deceased, **MARY M. BRIEGEL**, Trustee of the Mary M. Briegel Revocable Trust dated August 30, 2004, and **KIMBERLY ROAD LLC**, an Iowa limited liability company, with notice addresses as provided for in Section 7 of this Agreement (collectively, the "Master Landlord"), and **AMERICAN EDUCATION CENTERS, INC.**, a Delaware corporation (d/b/a Brown Mackie College – Quad Cities), with an address of c/o Education Management Corporation, 210 Sixth Avenue, Pittsburgh, Pennsylvania 15222, Attn: Vice President of Corporate Real Estate ("Tenant").

RECITALS

A. Pursuant to the terms of that certain lease ("Master Lease") by and between Master Landlord, as successor-in-interest to Margaret Siefers, Joseph P. Siefers, Gregory W. Siefers and Elmer Siefers, as landlord, and Joseph R. Miller Kimberly Road Trust, LLC ("Landlord"), as successor-interest to Joseph R. Miller, as Trustee of the Joseph R. Miller Living Trust, successor-in-interest to Joseph R. Miller, successor-in-interest to Hanover Bettendorf, Inc., as tenant, which lease is evidenced by a Memorandum of Lease, dated September 30, 1971, recorded June 16, 1972, as Document No. 8093-72, Master Landlord leased to Landlord the land (the "Land") legally described in **Exhibit "A"** attached hereto, together with the building (the "Building"), including rights to use the roof, containing approximately Ninety-Four Thousand Five Hundred rentable square feet (94,500) and other improvements (the "Improvements") located on the Land, having a mailing address of 2119 East Kimberly Road in the City of Bettendorf, County of Scott, State of Iowa (the Land, the Building and the Improvements together with all easements, rights, licenses and privileges appurtenant thereto being hereinafter sometimes collectively referred to as the "Property").

B. Pursuant to that certain Lease Agreement ("Lease") dated as of November ___, 2009, (the "Brown Mackie Lease"), Landlord leased to Tenant approximately Twenty-Nine Thousand Nine Hundred Twenty-One (29,921) rentable square feet in the Building (the "Premises"), which Premises are also depicted on **Exhibit "B"** attached hereto and made a part hereof.

C. As a condition to its obligations under the Brown Mackie Lease, Landlord is required to arrange for Master Landlord to enter into an agreement which recognizes Tenant's rights under the Brown Mackie Lease and Master Landlord has agreed to recognize such rights.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Master Landlord and Tenant agree as follows:

1. Representations. Master Landlord represents that: (i) it is the fee-simple owner of the Property; (ii) the Master Lease is unmodified and in full force and effect; and (iii) Landlord is not in default under the Master Lease nor has any event occurred which would, after notice to Landlord and the passage of time become a default of Landlord under the Master Lease.

2. Consent. Subject to the terms and conditions of this Agreement, Master Landlord hereby consents to the leasing of the Premises by Landlord to Tenant on the terms and conditions set forth in the Brown Mackie Lease, a copy of which has been provided to Master Landlord. In particular, Master Landlord expressly acknowledges and agrees with the rights and benefits of Tenant with respect to the Land set forth in the Brown Mackie Lease, including, without limitation, Tenant's rights pursuant to Articles 6, 16, 23, 30, 31 and 32 of the Brown Mackie Lease.

3. Obligation/Approval. Master Landlord agrees that whenever it has an obligation with respect to the Premises, or its consent or approval is required for any action of Landlord under the Master Lease, then, to the extent such obligation, consent or approval relates to the Premises or Tenant's use and occupation thereof or rights in connection therewith, Master Landlord will perform such obligation and will not unreasonably withhold or unduly delay any consent or approval in connection therewith.

4. Recognition. So long as Tenant fully and faithfully performs its obligations in accordance with the terms and provisions of the Brown Mackie Lease, beyond the lapse of any applicable notice and cure periods, Tenant's right to remain in possession of the Premises and to enjoy the Premises until the termination or earlier expiration of the Brown Mackie Lease shall remain undisturbed and without interference whatsoever from the Master Landlord. Master Landlord hereby recognizes Tenant's right to use, possess and enjoy the Premises and the Land pursuant to the Brown Mackie Lease as being a valid and enforceable right. If Landlord defaults under the Master Lease and as a result thereof is no longer entitled to use, possess and enjoy the Land on account thereof or if the Master Lease is terminated for any reason, then, subject to the terms and conditions of this Agreement, Master Landlord shall be substituted for Landlord in the Brown Mackie Lease and thereafter, the terms and provisions of the Brown Mackie Lease shall govern and control Tenant's use and occupancy of the Premises, and Master Landlord shall assume all of Landlord's obligations thereafter arising under, and be entitled to all benefits of Landlord.

5. No Amendment. Master Landlord agrees that it will not amend or modify the Master Lease without the consent of Tenant.

6. Direct Lease/Attornment by Sublessee. Master Landlord acknowledges that if the

Master Lease terminates as a result of Landlord's default, Tenant shall not be made a party in any removal or eviction action or proceeding, nor shall Tenant be evicted or removed of its possession and the Brown Mackie Lease shall then become a direct lease between Master Landlord and Tenant in accordance with its terms without the necessity of executing any further instrument. In such event, Tenant shall attorn to Master Landlord, and Master Landlord shall be substituted in the place of Landlord in the Brown Mackie Lease. In such event, Tenant agrees that it shall be bound to the Master Landlord and Master Landlord agrees that it shall be bound to Tenant under all of the terms, covenants and conditions of the Brown Mackie Lease for the balance of the term thereof remaining and any extension or renewal thereof which may be effected in accordance with any option therefor in the Brown Mackie Lease, with the same force and effect as if Master Landlord were the landlord under the Brown Mackie Lease.

7. Notice: Any notice or consent required to be given by or on behalf of either party hereto shall be in writing and shall be delivered (a) personally, (b) by certified mail, return receipt requested, or (c) by "next day" delivery service if receipted therefor, addressed as follows:

To Master Landlord:

Lucille D. Siefers
2419 Salem Court
Bettendorf, Iowa 52722

With a copy to:

Cindy Siefers
2575 Chesterfield Drive
Bettendorf, Iowa 52722

Joseph P. Siefers and Joan P. Siefers
1313 Harrison Street
Davenport, Iowa 52803
Attn: M. Jeffrey Cook, Attorney at Law

Mary M. Briegel and The Mary M. Briegel
Revocable Trust
1313 Harrison Street
Davenport, Iowa 52803
Attn: M. Jeffrey Cook, Attorney at Law

To Tenant:

American Education Centers, Inc.
d/b/a Brown Mackie College – Quad Cities
c/o Education Management Corporation
210 Sixth Avenue
Pittsburgh, Pennsylvania 15222
Attn: Vice President of Corporate Real Estate

8. Acknowledgment. Master Landlord, as an owner of the Land, acknowledges, grants and agrees to, the rights and benefits of Tenant with respect to the Land set forth in the Lease, including, without limitation, Tenant's rights pursuant to Articles 6, 16, 23, 30, 31 and 32

of the Lease; provided, however, Master Landlord shall not be responsible for any breach of Landlord's obligations as set forth in the Lease.

9. Miscellaneous.

(a) No modification, amendment, waiver or release of any provision of this Agreement or of any right, obligation, claim or cause of action arising hereunder shall be valid or binding for any purpose whatsoever unless in writing and duly executed by the party against whom the same is sought to be asserted.

(b) This Agreement shall be construed, interpreted, and enforced under the laws of the State of Iowa.

(c) This Agreement is binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

(d) This Agreement may be executed in counterparts, each of which may be deemed an original, and all of such counterparts together shall constitute one and the same Agreement.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, this Agreement has been executed as of the date set forth above.

WITNESSES:

MASTER LANDLORD:

____

____

____

JOAN P. SIEFERS, individually and as Executrix of the Estate of Joseph P. Siefers, deceased

WITNESSES:

____

____

____

MARY M. BRIEGEL, Trustee of the Mary M. Briegel Revocable Trust dated August 30, 2004

WITNESSES:

____

____

KIMBERLY ROAD LLC, an Iowa limited liability company

By: ______________________________

______________________ (Print Name)

Its: ______________________________

WITNESSES:

____

____

TENANT:

AMERICAN EDUCATION CENTERS, INC.
a Delaware corporation

By: ______________________________

Scott Smith

Its: Vice President, Corporate Real Estate

Acknowledgment of Master Landlord

STATE OF)
) SS:
COUNTY OF)

Personally appeared before me, a Notary Public in and for the above County and State, **JOAN P. SIEFERS**, individually and as Executrix of the Estate of Joseph P. Siefers, deceased, known personally by me and acknowledged by me to be on the date of execution, and she executed the foregoing in her individual capacity and for and on behalf of said estate.

Witnessed by hand and this notarial seal this _____ day of November, 2009.

Notary:______________________________

[NOTARIAL SEAL] Print Name:__________________________

Notary Public, State of _________________

My Commission expires:________________

Acknowledgment of Master Landlord

STATE OF)
) SS:
COUNTY OF)

Personally appeared before me, a Notary Public in and for the above County and State, **MARY M. BRIEGEL**, Trustee of the Mary M. Briegel Revocable Trust dated August 30, 2004, known personally by me and acknowledged by me to be on the date of execution, and she executed the foregoing in her individual capacity and for and on behalf of said trust.

Witnessed by hand and this notarial seal this _____ day of November, 2009.

Notary:______________________________

[NOTARIAL SEAL] Print Name:__________________________

Notary Public, State of _________________

My Commission expires:________________

Acknowledgment of Master Landlord

STATE OF)
) SS:
COUNTY OF)

Personally appeared before me, a Notary Public in and for the above County and State, ____________________, known personally by me and acknowledged by me to be on the date of execution, the ___________________ of **KIMBERLY ROAD LLC**, an Iowa limited liability company, and he/she executed the foregoing for and on behalf of said limited liability company being thereunto duly authorized.

Witnessed by hand and this notarial seal this _____ day of November, 2009.

Notary:_____________________________

[NOTARIAL SEAL] Print Name:_________________________

Notary Public, State of ________________

My Commission expires:_______________

Acknowledgment of Tenant

STATE OF)
) SS:
COUNTY OF)

Personally appeared before me, a Notary Public in and for the above County and State, Scott Smith, known personally by me and acknowledged by me to be on the date of execution, the Vice President, Corporate Real Estate, of **AMERICAN EDUCATION CENTERS, INC.**, a Delaware corporation, and he executed the foregoing for and on behalf of said corporation being thereunto duly authorized.

Witnessed by hand and this notarial seal this _____ day of November, 2009.

Notary:_____________________________

[NOTARIAL SEAL] Print Name:_________________________

Notary Public, State of ________________

My Commission expires:_______________

Exhibit "A"

Legal Description of Land

Legal Description
Quad Cities

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF SCOTT, STATE OF IOWA AND IS DESCRIBED AS FOLLOWS:

Part of the West Half of the Southeast Quarter of Section 20 in Township 78 North, Range 4 East of the 5th P.M. being more particularly described as follows:

Commencing at the Northwest Corner of the Southeast Quarter of said Section 20; thence South (assumed bearing for this survey) 646.90 feet on the West line of the Southeast Quarter of said Section 20 to the point of beginning of the tract of real estate herein intended to be described (which point of beginning is the Southwest Corner of the tract of real estate conveyed to J.D. KeHoe and Edice M. KeHoe by deed recorded on September 25, 1940 in Book 82 of Land Deeds, page 501, records of Scott County, Iowa;

1. Thence South 89°54'36" East (along the Southerly line of the tract of real estate so conveyed to J.D. KeHoe and Edice M. KeHoe) 921.07 feet to the West line of Interstate Highway No. 74;

2. Thence South 11°18'17" East on the Westerly line of Interstate Highway No. 74 for a distance of 172.12 feet;

3. Thence South 01°24'55" East along the Westerly line of Interstate Highway No. 74, 378.86 feet to the Southeasterly corner of real estate owned by Joseph Siefers;

4. Thence South 89°57'45" West along the Southerly line of the real estate so owned by Joseph Siefers a distance of 789.17 feet;

5. Thence North 100.00 feet;

6. Thence South 89°57'45" West 175.00 feet to the West line of the Southeast Quarter of said Section 20;

Thence North 449.60 feet on the West line of the Southeast Quarter of said Section 20 to the point of beginning.

EXHIBIT "B" (1 of 2)

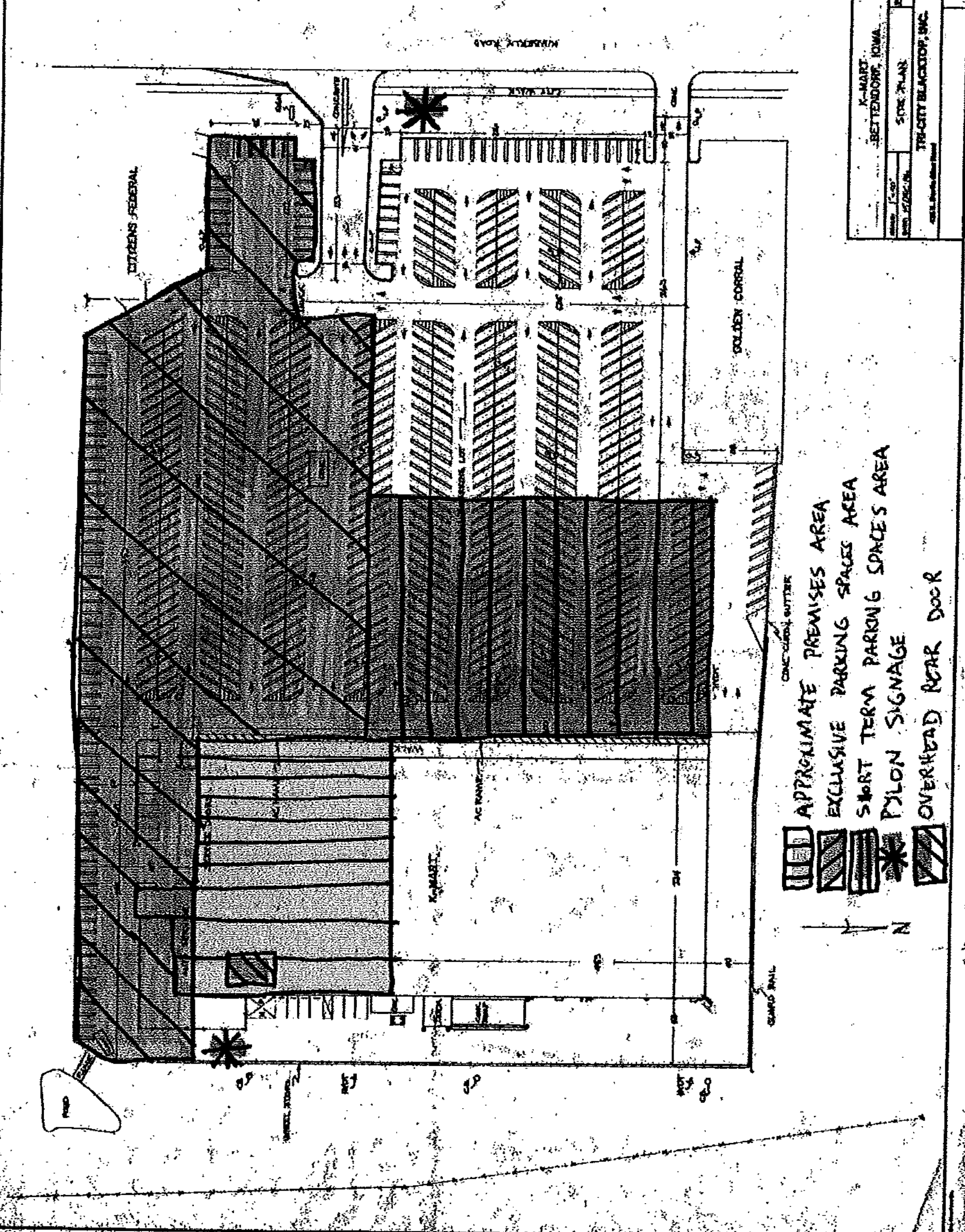
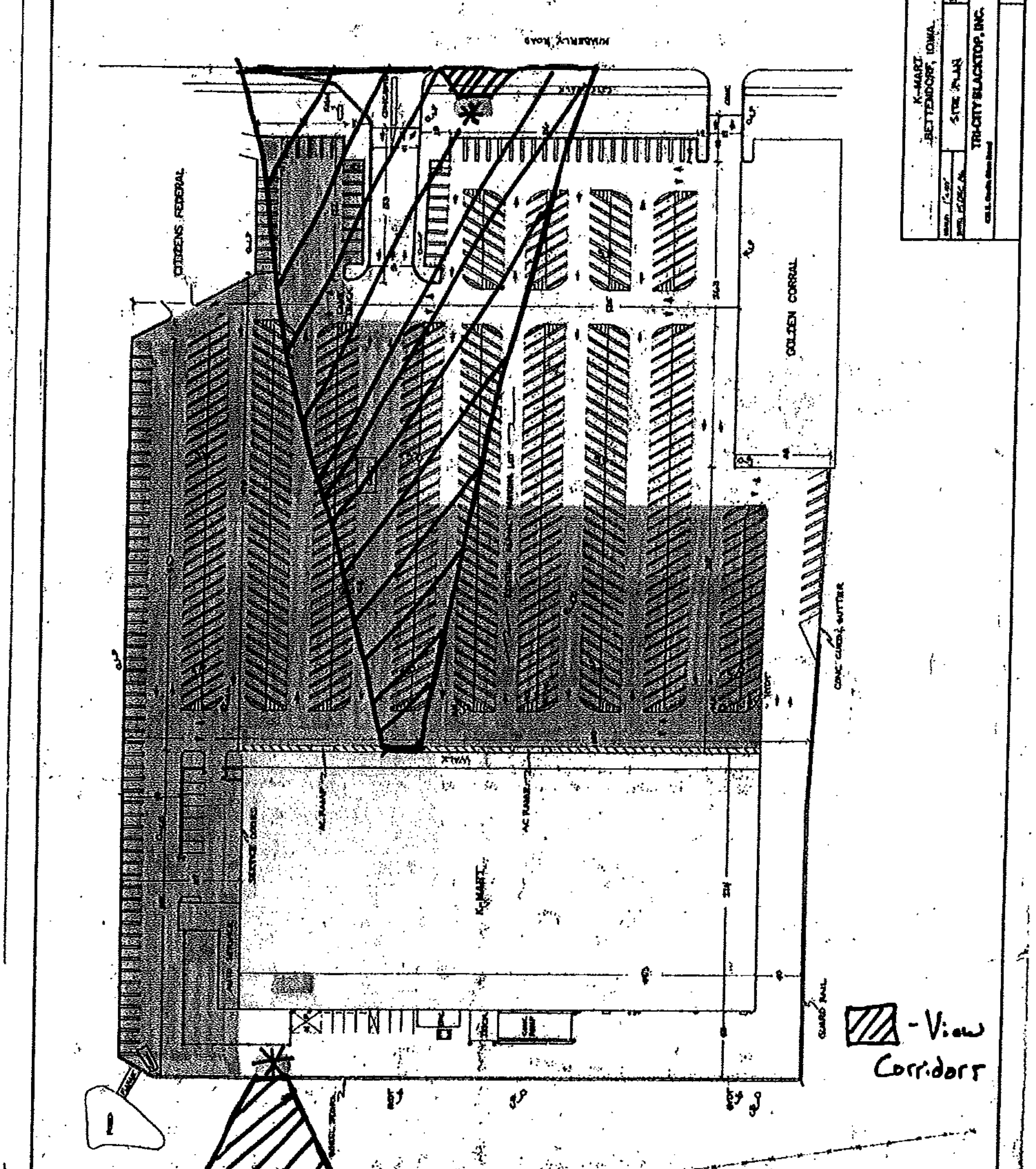


EXHIBIT "B" (2 of 2)



- View Corridors

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "**Lease**") is made and entered into as of the 21 day of November ___, 2009, by and between **JOSEPH R. MILLER KIMBERLY ROAD TRUST, LLC**, an Iowa limited liability company ("**Landlord**"), and **AMERICAN EDUCATION CENTERS, INC.**, a Delaware corporation (d/b/a Brown Mackie College – Quad Cities) ("**Tenant**").

A. Landlord is the ground lessee of the land (the "**Land**") legally described in Exhibit "A" attached hereto, together with the building (the "**Building**"), including rights to use of the roof, containing approximately Ninety-Four Thousand Five Hundred (94,500) rentable square feet (subject to measurement as set forth in Section 1.3) and other improvements (the "**Improvements**") located on the Land, having a mailing address of 2119 East Kimberly Road in the City of Bettendorf, County of Scott, State of Iowa (the Land, the Building and the Improvements together with all easements, rights, licenses and privileges appurtenant thereto being hereinafter sometimes collectively referred to as the "**Property**"). The site plan (the "**Site Plan**"), attached hereto as Exhibit "B", depicts the Land, Building and Improvements.

B. Subject to the terms and conditions hereof, Landlord hereby desires to demise and let unto Tenant, and Tenant hereby desires to lease from Landlord, approximately twenty-nine thousand nine hundred twenty-one (29,921) rentable square feet rentable square feet of space in the Building, as depicted on the Site Plan, all subject to measurement pursuant to Section 1.3 (the "**Premises**").

NOW, THEREFORE, in consideration of the mutual promises of the parties and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

ARTICLE 1

TERM; PREMISES; AND COMMON AREAS

1.1 Term. Landlord hereby leases to Tenant and Tenant hereby rents from Landlord the Premises. The term of this Lease, as the same may be renewed or extended (the "**Term**"), shall be for a period of ten (10) Lease Years (hereinafter defined). The Term shall commence on the later of (i) Tenant's substantial completion of the Tenant Improvements (hereinafter defined) as set forth in the Work Letter attached hereto as Exhibit "C" (the "**Work Letter**") and the issuance of a certificate of occupancy for Tenant's use of the Premises, or (ii) May 1, 2010 (the "**Commencement Date**"); provided, however, in no event shall the Commencement Date occur later than September 30, 2010, unless such Commencement Date is delayed as the result of a Landlord Delay or an event of force majeure. The Term shall expire and end on the last day of the academic quarter closest to the date that is ten (10) Lease Years after the Commencement Date, as the same may be renewed or extended (the "**Expiration Date**"). Notwithstanding anything contained herein to the contrary, if Tenant is delayed in completing the Tenant Improvements as a result of the acts, omissions or negligence of Landlord or its agents, employees or contractors ("**Landlord Delay**") or any event of force majeure, then the

Commencement Date shall be extended based on the extent of the delay in completing the Tenant Improvements caused by such Landlord Delay or an event of force majeure.

1.2 Delivery. Landlord shall deliver the Premises to Tenant within five (5) days following the mutual execution of this Lease by Landlord and Tenant (the "**Possession Date**"). Notwithstanding anything contained herein to the contrary, if Landlord fails to deliver exclusive possession of the entire Premises to Tenant in the condition required by this Lease within five (5) days after execution of this Lease by Landlord and Tenant (the "**Outside Delivery Date**") for any reason other than delays caused by the acts, omissions or negligence of Tenant or Tenant's agents, employees or contractors (collectively, "**Tenant Caused Delays**") or events of force majeure, then (i) Tenant shall be entitled to a day-for-day Rent (hereinafter defined) abatement for each day of delay beyond such Outside Delivery Date and (ii) Tenant shall have the ongoing right, but not the obligation, to terminate this Lease by delivering written notice thereof to Landlord prior to Landlord delivering possession of the Premises to Tenant in the condition required by this Lease, in which event this Lease and the obligations of the parties hereto shall be null and void and of no further force and effect; provided, however, Landlord shall reimburse Tenant for Tenant's reasonable attorneys' fees and third party consultants' fees, which obligations shall survive the termination of this Lease.

1.3 Measurement. Landlord and Tenant acknowledge that Landlord's architect has measured the rentable and usable area of the Premises and the Building, which measurements were based on the BOMA Standard (ANSI/BOMA Z65.1-1996, published by the Building Owners and Managers Association) (the "**BOMA Standard**"). If Tenant has reason to believe that the measurement of the Premises and/or Building provided by Landlord's architect is incorrect, then, within thirty (30) days after the Commencement Date, Tenant shall provide written notice to Landlord, and Landlord and Tenant and their respective architects shall meet and confer in good faith to resolve any discrepancy in accordance with the BOMA Standard set forth above and Tenant shall have the right to remeasure the Premises and/or Building. If a re-measurement of the Premises and/or Building results in the actual rentable area of the Premises and/or Building being different from the rentable area of the Premises and/or Building specified in this Lease, then the rentable area of the Premises and/or Building shall be adjusted to equal the amount so determined, and the Base Rent (hereinafter defined) and all other amounts specified in this Lease that are a function of the rentable area of the Premises shall be adjusted accordingly and memorialized in an amendment to this Lease; provided, however, in no event shall the Base Rent and all other amounts specified in this Lease that are a function of the rentable area of the Premises be increased as the result of any such remeasurement of the Premises and/or Building, unless Tenant, in its sole discretion, elects to expand the area of the Premises.

1.4 Delivery Condition. Notwithstanding anything contained herein to the contrary, on the Possession Date (i) the Premises shall be broom clean, vacant and free and clear of all leases (other than this Lease), or other possessory rights of any tenant(s) or any other party, (ii) the Building envelope, Building systems and Common Areas shall be in good condition, (iii) the concrete slab and floor condition of the Building shall be in a good condition and ready for Tenant to construct the Tenant Improvements, (iv) the Premises shall be free and clear of all Hazardous Substances (hereinafter defined), (v) the Premises, the Building and the Property shall be free of all violations of any and all governmental and quasi-governmental laws, ordinances and regulations and all rules and regulations adopted pursuant thereto, including, without limitation, the Americans with Disabilities Act of 1990 (29 U.S.C. 706; 42 U.S.C. 12101, and 47 U.S.C. 152 et seq.) (the "**ADA**") and all amendments thereto, applicable to the Property (collectively, "**Applicable Laws**"), and (vi) there shall be no material breach of any of Landlord's representations set forth in Section 19.1 of this Lease. The foregoing does not obligate the Landlord to demolish or remove any preexisting floor covering, including carpeting and ceramic tile, within the Premises.

1.5 Early Entry. Subject to the terms of this Lease, Tenant, Tenant's agents, employees and contractors shall have the right to enter the Premises at any time following the date of this Lease for the purpose of taking measurements, obtaining information required in connection with Tenant's prospective occupancy and constructing the Tenant Improvements. Any access by Tenant to the Premises prior to the Commencement Date shall be upon all of the terms, covenants and conditions of this Lease, except for the payment of Rent (hereinafter defined) and other charges by Tenant. Tenant and its agents, employees and contractors shall have twenty-four (24) hour access to the entire Premises.

1.6 Common Areas. During the Term, and any extension or renewal thereof, Tenant and its agents, employees, contractors, customers and invitees shall have access to the Common Areas twenty-four (24) hours per day, three hundred sixty-five (365) days per year. Landlord, at Landlord's sole cost and expense, shall maintain all Common Areas in the same high quality, first class condition as the Building is required to be maintained. "**Common Areas**" shall mean the following areas: (i) any areas in the Building devoted to lobbies, hallways, rest rooms, janitorial closets, mailrooms, vending areas and other similar facilities provided for the common use or benefit of tenants generally and/or for the public located in the Building (but shall not include any such areas designated for the exclusive use or benefit of a particular tenant); and (ii) those portions of the Building and/or the Land which are provided and maintained for the common use and benefit of Landlord and tenants of the Building only and employees and invitees and licensees of Landlord and such tenants; including, without limitation, all atriums, walkways, parking areas, and all streets, sidewalks and landscaped areas comprising the Land.

ARTICLE 2

BASE RENT

2.1 Commencing on the Commencement Date, and continuing on the fifth (5^{th}) day of each calendar month during the Term, and any extension or renewal thereof, Tenant shall pay to Landlord base rent ("**Base Rent**"), without any setoff or deduction whatsoever, except as provided elsewhere in this Lease. Base Rent for the Premises shall be payable in the following amounts:

Lease Years	Base Rent	Monthly Base Rent	Annual Base Rent
1 – 2	\$2.00	\$4,986.83	\$59,842.00
3 – 5	\$5.25	\$13,090.44	\$157,085.25
6 – 10	\$5.75	\$14,337.15	\$172,045.75

"**Lease Year**" shall mean each twelve (12) month period beginning on the Commencement Date and each anniversary thereof, provided the Commencement Date is on the first (1^{st}) day of a month. If the Commencement Date does not occur on the first (1^{st}) day of a month, then the period from the Commencement Date through the day prior to the first (1^{st}) anniversary of the first (1^{st}) full calendar month after the Commencement Date shall constitute the first (1^{st}) Lease Year and each consecutive twelve (12) month period thereafter shall constitute a Lease Year.

2.2 If the Commencement Date is a date other than the first (1^{st}) day of the calendar month, Tenant shall pay to Landlord on the Commencement Date for the number of days remaining in such month a pro rata monthly Rent calculated in the ratio that the actual number of days of occupancy by Tenant during such month bears to the total number of days in such month.

2.3 Upon written request, Tenant shall be permitted to make all payments required under this Lease by wire transfer pursuant to instructions provided by Landlord to Tenant. Landlord may change such wiring instructions from time to time during the Term, or any extension or renewal thereof, upon thirty (30) days written notice thereof to Tenant.

2.4 Tenant acknowledges that late payment by Tenant to Landlord of Base Rent or Additional Rent due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Therefore, if any payment of Base Rent or Additional Rent is not paid within five (5) days after the due date, Tenant shall pay a late payment fee in the amount of Fifty and 00/100 Dollars ($50.00). The parties agree that such late payment fee represents a fair and reasonable estimate of the costs that Landlord will incur by reason of the late payment by Tenant.

2.5 If Tenant shall fail to pay any monthly installment of Base Rent or any Additional Rent or other charges within ten (10) business days after written notice of such overdue payment, then such overdue payment shall bear interest at the rate equal to the lesser of twelve percent (12%) per annum or the highest lawful rate under applicable law from the due date until paid (the "Default Interest Rate"). This provision shall not be construed to adjust, alter or modify the date when monthly installments of Rent are due, nor shall the payment of any interest required by this Section by itself be deemed to cure or excuse any default by Tenant under this Lease.

ARTICLE 3

REAL ESTATE TAXES AND OPERATING EXPENSES

3.1 Tenant shall, at Tenant's own cost and expense, be responsible for the payment of Tenant's Share (hereinafter defined) of all taxes and assessments and other charges, ordinary or extraordinary, foreseen or unforeseen, general or special (all of which are hereinafter sometimes collectively referred to as "**Impositions**"), but excluding any unincorporated business tax, inheritance, estate, succession, transfer, franchise, net income, gift tax, gross receipts, capital stock taxes, or capital levy or any increase of, or reassessment in, real property taxes and assessments in excess of two percent (2%) of the Impositions for the previous year, resulting from either (1) any sale, transfer, or other change in ownership of the Building or the Land during the Term, and any extension or renewal thereof, or (2) from major alterations, improvements, modifications or renovations to the Building or the Land, other than those performed by or for Tenant at Tenant's request, which shall be levied, charged, assessed or imposed upon the Property, or any part thereof, which are attributable to the period beginning on the Commencement Date and ending on the Expiration Date. If Tenant overpays, or if Impositions are later reduced due to an appeal or otherwise, Tenant shall be entitled to a refund notwithstanding the termination of this Lease. This Section shall survive the expiration or earlier termination of this Lease.

3.2 Landlord shall timely pay, when due, all Impositions, together with interest and penalties thereon, imposed upon (or assessed against) the Property (or any part thereof) and shall promptly comply with all notices, orders and demands of any authority imposing same. Landlord shall pay Impositions in the maximum number of installments permitted by law. After Landlord's receipt of tax bills for the Property attributable to any calendar year during the Term, and any extension or renewal thereof, Landlord shall furnish Tenant with a written statement of the actual amount of Tenant's Share of the Impositions for such year, or part thereof, together with a copy of such tax bills, and, within thirty (30) days after its receipt thereof, Tenant shall pay such amount to Landlord (and Landlord shall be responsible for any additional assessments, fees or penalties incurred, or discounts lost, if Landlord fails to timely pay such Impositions to the taxing authority). Tenant may contest any Impositions against the Property and attempt to obtain a reduction in the assessed valuation upon the Property for the purpose of reducing any such tax assessment. Upon the request of Tenant, but without expense or liability to Landlord including any penalties or interest which shall be the sole obligation of Tenant, Landlord shall cooperate with Tenant and execute any document which may be reasonably necessary and proper for any tax assessment appeal proceeding. If any abatement, refund or rebate shall be obtained by Tenant, then the expenses of obtaining the same, including, without limitation, reasonable attorneys' fees, shall be reimbursed to Tenant prior to the distribution of such abatement, refund or rebate among Landlord and its tenants and occupants. Additionally, if a tax reduction is obtained, then there shall be a subsequent reduction in Tenant's total payment of Impositions for such year, and Tenant's Share of any excess payments shall be refunded by Landlord to Tenant when all refunds to which Landlord is entitled from the taxing authority with respect to such year have been received by Landlord, whether or not such refund is received during or after the expiration of the Term, or any extension or renewal thereof.

3.3 Tenant shall be responsible for the payment of Tenant's Share of Operating Expenses. The term "**Operating Expenses**" shall mean any and all expenses incurred by Landlord in connection with the operation, maintenance, replacement and repair of the Building and its operating systems, including, but not limited to, the roof, plumbing, electrical and HVAC (hereinafter defined) systems. By way of example, but without limitation, Operating Expenses shall include any and all of the following: salaries, wages, medical, surgical and general welfare benefits (including group life insurance) and pension payments for employees of Landlord directly engaged in the operation, maintenance or repair of the Building and improvements, payroll taxes, license fees, worker's compensation insurance (provided to the extent that such employees are not employed exclusively at the Building, the cost and expenses with respect to such employees shall be prorated), personal property taxes charged and applicable to the Building, electricity (except as charged directly to tenants), fuel, utility taxes, water and sewer charges, fire and extended coverage and liability insurance, glass insurance for the Building's exterior windows, repairs and maintenance, painting (including spot painting and touch-up painting; provided, however, that a complete repainting of the exterior of the Building shall be included in Operating Expenses no more than two (2) times during the Term), building and cleaning supplies, building personnel uniforms and the cleaning thereof, cleaning of windows and exterior curtain walls, cleaning and trash removal, repairs and telephone and telegraph and stationery, management expenses (not to exceed ten percent (10%) of all Operating Expenses for the Building), security expenses, reasonable accounting fees relating to the determination of Operating Expenses and the preparation of statements required by tenants' leases and all other expenses now or hereafter reasonably and customarily incurred in connection with the operation, maintenance and management of comparable office buildings in Bettendorf, Iowa. Notwithstanding anything contained herein to the contrary, Operating Expenses shall not include any of the following: expenses for capital improvements made to the Property or Building (except to the extent that such capital expenses are incurred in good faith by Landlord with the intention to reduce or to help limit increases in Operating Expenses and such reduction or limitation is in fact achieved, in which event such expenses shall be amortized over a period equal to the useful life of such improvement determined in accordance with generally accepted accounting principles and the amortized cost allocated to each calendar year during the Term, and any extension or renewal thereof, together with an imputed interest amount calculated on the unamortized portion thereof using an interest rate equal to six percent (6%) per annum); expenses for renovating, fixturing, furnishing, redecorating or other work which Landlord performs for any tenant in the Building or any tenant allowances or concessions; interest amortization, or other payments on loans to Landlord whether secured or unsecured; depreciation of the Building or other said improvements; ground rent; leasing commissions; legal expenses, salaries, taxes, benefits wages or other compensation paid to officers or executives of Landlord; income, franchise or other similar taxes; the cost of repairs, replacements or other work occasioned by fire, wind storm or other casualty or by the exercise of eminent domain; attorneys' fees, costs, disbursements and other expenses incurred in connection with solicitation of and negotiation for leases with tenants, other occupants or prospective tenants or other occupants of the Building, or similar costs incurred in connection with disputes with tenants, other occupants or prospective tenants or other occupants of the Building; utilities and services for which Tenant or any other tenant or occupant of the Building is specifically obligated to reimburse Landlord or for which Tenant or any other tenant or occupant of the Building is specifically obligated to pay third parties; except for a reasonable, ordinary and customary management fee as provided herein (subject to the cap noted above), or other such fees, any overhead or profit increments to any subsidiary or affiliate of Landlord for services on or to the Building; any costs of Landlord's general overhead, including general and administrative expenses; any costs or expenses for sculptures, paintings or other works of art, including costs incurred with respect to the purchase, ownership, leasing, repair or maintenance of such works of art; any otherwise includable costs of correcting defects in the Building or equipment or replacing defective equipment to the extent such costs are covered by warranties or manufacturers, suppliers or contractors, or are otherwise borne by parties other than Landlord; all bad debt loss, rent loss or reserve for bad debt or rent loss; all costs and expenses associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Building, including accounting and legal matters, costs of defending any lawsuits with any Landlord's mortgagee or other parties, costs of selling, syndicating, financing, mortgaging and/or hypothecating any of Landlord's interest in the Building, costs of any disputes between Landlord and its employees (if any) not engaged in Building operation, disputes of Landlord with Building management, or fees or costs paid in connection with disputes where such employee provides services; replacement of any item or of a major component of any item and major repairs to such items, in lieu of replacement (but not maintenance) if the original item or a subsequent improvement to such item is to be capitalized under generally accepted accounting principles; contributions to reserve funds; any work or services performed by or on behalf of Landlord with respect to the Building prior to the Commencement Date; political or charitable contributions; any costs incurred arising from the presence of Hazardous Substances in or about the Premises, the Building or the Property not placed therein by Tenant, its agents, contractors or employees, or costs incurred in connection with any environmental clean-up, response action or remediation, including without limitation, costs and expenses associated with the defense, administration, settlement, monitoring or management thereof; and any other cost or expense not specifically defined herein which, under generally accepted accounting principles consistently applied, would not be considered to be an operating expense of the Building or which is not reasonable and customary for similar class buildings in Bettendorf, Iowa.

Notwithstanding anything contained in this Lease to the contrary, (i) Tenant, at its sole cost and expense, shall directly contract for janitorial services for the Premises and trash removal from the Property, and (ii) electrical service to the Premises shall be separately metered and Tenant shall pay the cost of such electrical service directly to the electrical service provider, and therefore, the cost of janitorial services, trash removal services and electrical service shall be excluded from Operating Expenses for purposes of determining Tenant's Share of such Operating Expenses.

3.4 On the Commencement Date, Tenant shall pay to Landlord, as Additional Rent, and on a monthly basis over the next twelve (12) months and during the entire Term, and any extension or renewal thereof, Tenant's Share of estimated Operating Expenses and Impositions. The term "**Tenant's Share**" shall mean the portion that the rentable square footage of the Premises bears to the rentable square footage of the Building, except as provided for above in Section 3.1 to the contrary with respect to Tenant's Share of Impositions. Subject to measurement pursuant to Section 1.3 of this Lease, initially, Tenant's Share shall be equal to Thirty-One and 70/100 percent (31.7%). Notwithstanding anything to the contrary contained herein, in the event that the Building does not have an average occupancy of ninety-five percent (95%) during any calendar year, appropriate adjustments shall be made to determine Operating Expenses as though the Building had been ninety-five percent (95%) occupied, but in no event shall Tenant ever be required to pay more than Tenant's Share of the determined Operating Expenses. Notwithstanding the foregoing, Landlord shall not recover as Operating Expenses more than one hundred percent (100%) of the Operating Expenses actually paid by Landlord. Further, in no event shall increases in Tenant's Share of the Operating Expenses exceed three percent (3%) above that for the prior year (on a non-cumulative basis), excluding increases with respect to Non-Controllable Operating Expenses (hereinafter defined). "**Controllable Operating Expenses**" mean all Operating Expenses other than Non-Controllable Operating Expenses. "**Non-Controllable Operating Expenses**" are limited to the following: insurance expenses, utility expenses, Common Area janitorial expenses, Common Area snow and ice removal expenses, if any, expenses incurred as the result of compliance with Applicable Laws enacted after the date of this Lease and/or collectively-bargained union wages.

3.5 At reasonable times and on reasonable notice, Tenant shall have the right, but not more frequently than once in any calendar year, to audit all of Landlord's (or Landlord's agent's) records pertaining to Impositions and/or Operating Expenses with a representative of its choice. Any overbilling discovered in the course of such audit shall be promptly refunded to Tenant within thirty (30) days of Landlord's receipt of a copy of the audit. In the event the overstatement of charges exceeds three percent (3%) of the sum previously billed to Tenant, Landlord shall reimburse Tenant for all expenses related to said audit. Landlord shall retain its records regarding Impositions and Operating Expenses for a period of at least one (1) year following the final billing for the calendar year in question. The failure of Tenant to elect to examine Landlord's records pertaining to Impositions and/or Operating Expenses within said one (1) year period shall be deemed to be a waiver by Tenant with respect to such examination or auditing and the acceptance by Tenant of the Annual Cost Statement (hereinafter defined) for the particular calendar year to which Annual Cost Statement relates.

3.6 On or before March 31st of each calendar year of the Term, and any extension or renewal thereof, Landlord shall prepare and deliver to Tenant a statement setting forth the actual amount of Operating Expenses for such calendar year (the "**Annual Cost Statement**"). If Tenant's Share of such Operating Expenses exceeds the amounts paid for such calendar year by Tenant, Tenant shall, within thirty (30) days after Tenant's receipt of Landlord's notice pay to Landlord an amount equal to such excess. If the said amounts paid for such calendar year by Tenant exceed Tenant's Share of such Operating Expenses, then Landlord shall credit such excess to Rent payable after the date of Landlord's notice until such excess has been exhausted, except that any such excess remaining after two months of such credit to Rent may, at Tenant's option, be reimbursed to Tenant. If this Lease shall expire prior to full application of such excess, Landlord shall pay to Tenant the balance.

3.7 All sums, liabilities, obligations and other amounts which Tenant is required to pay or discharge pursuant to this Lease in addition to Base Rent, shall constitute Additional Rent hereunder ("**Additional Rent**"). All Base Rent and Additional Rent are sometimes collectively referred to in this Lease as "**Rent**". Tenant shall be responsible for payment on a monthly basis for all sales or use tax assessed on the Additional Rent.

3.8 The terms of this Article 3 shall survive the expiration or earlier termination of this Lease.

ARTICLE 4

EARLY ACCESS AND SERVICES

4.1 At all times from and after the date hereof (even though that date is prior to the Commencement Date), and without charge to Tenant, Landlord agrees to provide Tenant with access to the Premises, with the use and service charges and all taxes thereon payable to utility providers for the usage by Tenant, its agents, contractors, employees and invitees, of water, sewer, electrical and gas service, HVAC and telephone, being borne by Landlord.

4.2 Throughout the Term of this Lease, and any extension or renewal thereof, and subject to the provisions of Article 3 above which require Tenant to reimburse Landlord for certain Operating Expenses, Landlord shall provide the following utilities and services:

(a) Water (twenty-four (24) hours per day, three hundred sixty-five (365) days per year), it being understood and agreed that hot and cold water shall be furnished by Landlord only at those points of supply provided for general use of other tenants in the Building, and at those points of supply in kitchen and lavatories in the Premises;

(b) Maintenance, painting and electric lighting service for all public areas and special service areas in the Building;

(c) [Intentionally Deleted];

(d) [Intentionally Deleted];

(e) Pest control services for the Building and the Premises performed on a quarterly basis (or more frequently if warranted);

(f) Regular window cleaning consistent with the frequency employed by the owners of similar first-class office buildings located in Bettendorf, Iowa;

(g) Electricity of up to twelve and nine tenths (12.90) watts per rentable square foot (slab to slab) of the Premises, twenty-four (24) hours per day, three hundred sixty-five (365) days per year. The electric panels and meters to meet this requirement shall be provided by Landlord at no cost to Tenant. Tenant shall pay directly to the local electric utility, for all electric service rendered or furnished to the Premises during the Term, and any extension or renewal thereof, which service shall be separately metered into the Premises by Landlord at Landlord's expense;

(h) Fluorescent, incandescent and other prompt bulb replacement in the Common Areas and replacement of building-standard light bulbs and fluorescent tubes within the Premises; provided, however, if Tenant elects to use types of bulbs or tubes in the Premises other than Building standard bulbs and tubes, then Landlord shall, as needed, replace such specialty bulbs and/or tubes and charge Tenant the actual, out-of-pocket cost paid by Landlord for such specialty bulbs and/or tubes, minus the amount that would have been paid by Landlord if Tenant had used Building standard light bulbs and/or tubes;

(i) Proper waste water and sewer services for the Building and the Premises, twenty-four (24) hours per day, three hundred sixty-five (365) days per year;

(j) If the Premises are located within a multi-floor building, then elevators for ingress and egress to the floor on which the Premises are located, in common with other tenants, twenty-four (24) hours per day, three hundred sixty-five (365) days per year;

(k) Proper lighting of the Common Areas, including, without limitation, all parking areas, for at least one (1) hour after Tenant's final class each day; and

(l) The operation of the heating, ventilating and air-conditioning ("**HVAC**") system in the Building and serving the Premises during all normal business hours, or such other times as may be specified by Tenant from time to time, at such temperatures and in such amounts as Tenant deems reasonable. Initially, however, the HVAC system shall be maintained by Landlord so that it is continually able to maintain temperatures within the Premises within a commercially reasonable range. If Tenant desires that air conditioning and/or heat be supplied to the Premises beyond those hours as set forth above, then Tenant shall notify Landlord in advance, and Landlord shall provide such additional service. The cost for such additional service will be Landlord's actual, reasonable cost, without premium, and will be paid to Landlord within thirty (30) days after Tenant receives the applicable invoice from Landlord, accompanied by reasonably satisfactory evidence thereof.

4.3 Notwithstanding anything contained herein to the contrary, if (i) any of the utilities and/or services referenced in this Lease are interrupted and Tenant gives written notice of such interruption to Landlord, which notice includes a description of the interruption and identifies those portions of the Premises which are untenantable as a result thereof, (ii) such interruption continues for more than twenty-four (24) hours after Landlord's receipt of such notice, (iii) as a result thereof Tenant is unable to operate its business within all or any portion of the Premises and Tenant ceases operation of its business in the portions of the Premises identified in Tenant's notice during such period of untenantability, and (iv) such interruption was not caused by Tenant or its agents, employees or contractors, then Rent shall abate in proportionate to the ratio that the unusable portion of the Premises in which Tenant ceases operations bears to the total usable area of the Premises, until the end of such period of interruption. Notwithstanding anything contained in this Lease to the contrary, if any interrupted utility and/or service is not fully restored, regardless of the reason for the interruption, within thirty (30) days after delivery of Tenant's notice of interruption, then Tenant shall have the right to terminate this Lease by delivering written notice thereof to Landlord prior to the restoration of such utility and/or service; provided, however, if Landlord delivers written notice to Tenant within ten (10) days after delivery of Tenant's termination notice that Landlord is endeavoring to cure such interruption, and thereafter Landlord diligently pursues and completes the restoration of such utility and/or service, as the case may be, within thirty (30) days following receipt of Tenant's termination notice, then such termination notice shall be rendered null and void. If Tenant elects to terminate this Lease and Landlord does not cure the interruption of the utility and/or service, as provided for in the preceding sentence, then this Lease shall be terminated as of the termination date identified in Tenant's termination notice and, if the interruption was caused by the acts, omissions or negligence of Landlord or its agents, employees or contractors only, Landlord shall reimburse Tenant for the unamortized portion of any leasehold or building improvements incurred by Tenant (together with interest thereon at twelve percent (12%) per annum), which leasehold or building improvements shall be amortized on a straight-line basis over their useful lives using recognized accounting principles that are consistently applied, plus moving expenses equal to Four and 00/100 Dollars ($4.00) per square foot of rentable area of the Premises, within twenty (20) days after Tenant's delivery of evidence documenting the cost of such leasehold or building improvements. Landlord's obligations under this Section shall survive the termination of this Lease.

4.4 Notwithstanding anything contained in this Lease to the contrary, Tenant shall engage a janitorial service provider to provide the janitorial services to the Premises, at Tenant's sole cost and expense.

ARTICLE 5

AUTHORIZED TENANT WORK; AND ALTERATIONS

5.1 Tenant may make or cause to be made improvements or alterations to the Premises from time to time ("**Tenant's Alterations**"). Such improvements or alterations shall be made in a good and workmanlike manner and in accordance with all Applicable Laws. Notwithstanding anything to the contrary contained herein, Landlord's prior written consent shall not be required with respect to (a) carpeting, wallcovering and painting within the Premises and (b) other alterations, additions, or improvements which (i) are non-structural in nature (e.g., do not involve changes to the structural elements of the Building); (ii) do not involve changes to the Building's systems, including, without limitation, the electrical, plumbing, HVAC, sprinkler, communications, alarm, security, or fire/life safety systems or equipment; and (iii) do not involve changes to the Building exteriors or the Common Areas ("**Nonstructural Changes**"). In addition, Tenant shall have the right to make exterior or structural improvements or alterations ("**Structural Changes**") to the Premises after obtaining Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. If such consent is not granted or denied within ten (10) days after delivery of Tenant's request, then Landlord's consent shall be deemed to be granted. All improvements, alterations, equipment and other property installed or performed by Tenant shall remain the exclusive property of Tenant until the expiration or earlier termination of this Lease. Landlord shall receive no fee during construction or move-in for profit, overhead, general conditions, construction supervision, drawing review, utilities, parking or other miscellaneous costs. During the construction period, Tenant and contractors and their subcontractors shall have unimpaired access to the Building and to all vertical transportation systems with adequate electrical power continuously available at the Premises at no cost to Tenant. In connection with Tenant's Alterations, Tenant shall be permitted to use the area above any hung ceiling of the floor below the Premises, underdecking of the floor above the Premises, and similar areas outside the Premises for the installation of plumbing or poke through electrical devices and similar items as Tenant may reasonably require. No lien or completion bonds or other security shall be required in connection with Tenant's Alterations. Landlord's decision regarding required future removal of any Structural Changes and/or Special Improvements (hereinafter defined) shall be made in writing to Tenant at the time of Tenant's request for initial approval of the Structural Changes and/or Special Improvements ("**Stipulated Removals**").

5.2 (a) In connection with any of Tenant's Alterations, other than Nonstructural Changes, Tenant shall cause to be prepared full plans and specifications (the "**Plans**") for Tenant's Alterations and shall deliver such Plans to Landlord for its review and approval, which approval will not be unreasonably withheld, conditioned or delayed. Landlord shall review such Plans and will approve, make suggestions or require changes with respect to such Plans within ten (10) business days after receipt. If such consent is not granted or denied within such ten (10) day period, Landlord's consent shall be deemed given in connection with the performance of Tenant's Alterations. If such Plans are not approved, Landlord shall provide Tenant with a reasonably detailed narrative that explains such disapproval and Tenant shall modify and resubmit such Plans to Landlord after receipt of Landlord's comments. Such process shall continue until Landlord has approved Plans for Tenant's Alterations. Landlord shall fully cooperate with Tenant in obtaining all permits for Tenant's Alterations, including, without limitation, execution of all applications, documents and instruments required for the issuance of the permits.

From time to time, Tenant may request change orders to the work set forth in the Plans. Landlord shall review such change orders and shall approve or require changes within five (5) business days after receipt, which approval will not be unreasonably withheld, conditioned or delayed. If such consent is not granted or denied in the manner set forth in the preceding paragraph within such five (5) day period, Landlord's consent to such change order shall be deemed given.

(b) Tenant shall have the opportunity, at Tenant's sole cost, to incorporate special Tenant requirements into the Building and the Premises, including, but not limited to, an additional stair if required by code, supplemental HVAC units, additional electrical capacity, facilities for computers, student lounge, lunch rooms, vertical penetrations for exhaust and make up air to kitchens, drainage and sewer hook up for kitchens wash up areas, and expanded restrooms, telephone equipment room, file rooms, elevators and any other special facilities, thereto incidental to Tenant's operations, all in accordance with Tenant's Plans. Landlord agrees to cooperate with Tenant in connection with Tenant's requirements (the "**Special Improvements**").

5.3 With respect to any Tenant alterations, improvements or other work, including Tenant's Alterations, which require Landlord's written consent under this Lease:

(a) Tenant covenants and agrees: (i) to secure and pay for all necessary building and other permits and fees in connection with the alterations and improvements; and (ii) all construction shall be done in compliance with all Applicable Laws and in a good and workmanlike manner, in substantial accordance with the approved plans and specifications, and the Plans with respect to Tenant's Alterations (provided, however, that minor or insubstantial noncompliance or deviations thereto, shall not be deemed a violation hereof).

(b) Landlord and its agents or other representatives shall be permitted to enter the Premises at reasonable times to examine and inspect authorized work, provided that no such inspection or examination shall constitute an approval or warranty or give rise to any liability of Landlord with respect to any thereof, nor shall the same interfere with the performance of the work in any respect.

ARTICLE 6

USE OF PREMISES

6.1 Permitted Use. Tenant shall have the exclusive right to use and occupy the Premises for (a) any post secondary and/or graduate educational or training programs or courses (including, without limitation, associates, bachelors, masters and doctorate degrees) offered by

Tenant from time to time, its permitted subtenants and assigns, which may or may not culminate in the issuance of degrees, certificates, or diplomas, together with uses related and/or incidental thereto, including without limitation: (i) conducting classroom instruction, management and instruction, the operation of a book and/or supply store (including, without limitation, the sale of food items and personal goods, supplies and/or materials), food services, sales of supplies and materials, and other provision of goods and/or services, primarily for the use of the faculty and invitees of Tenant, (ii) instruction or training programs or courses of limited duration which do not lead to a degree or other certification; (iii) correspondence or distance learning courses of study, whether or not leading to a degree or other certification; (iv) a food lounge for students and faculty, including food and beverage vending machines, refrigerators, freezers and microwave oven for use with pre-prepared items; (v) long distance training; (vi) on-line courses; (vii) psychology, business administration, education, dental hygiene, veterinary or veterinary assistant, pharmacology, physician assistant, information technology, legal and paralegal studies, nursing, accounting, computer information systems, information technology, medical assistant, physical therapy, anesthesiologist, diagnostic medical sonography and ultrasound, histotechnology, medical laboratory technician, radiological technology and veterinary technology, or (viii) other specific courses typically provided by Tenant or Tenant's parent company in their locations throughout the United States, whether or not such other locations are operated under the "Brown Mackie" trade name or any other trade name; (b) offices for admissions, administration and other general office purposes; and (c) any business uses that provide services incidental to any of the foregoing permitted uses, provided such incidental business use is otherwise lawful and in accordance with this Lease (all of the foregoing are collectively referred to as the "**Permitted Uses**"). Tenant's rights under this Section shall be enforceable by any (i) Permitted Transferee (hereinafter defined) and/or (ii) any entity in which Landlord consented to the transfer pursuant to Section 11.1 of this Lease. Landlord shall not unreasonably withhold, condition or delay its approval of a change in the Permitted Uses, provided that any such change does not (1) violate any then current exclusives and/or restrictions applicable to the Property, (2) impair the structural integrity of the Building and (3) adversely affect the mechanical and utility systems servicing the Building. If Landlord withholds its approval of a change to the Permitted Uses, then Landlord shall provide a detailed written notice explaining the basis for its denial of the requested change to the Permitted Uses.

6.2 Tenant's Exclusive Use.

(a) During the Term, and any renewal or extension thereof, no portion of the Building or the Property, except for the Premises occupied by Tenant (or its permitted assignee or sublessee) (the "**Restricted Area**"), shall be used for, and Landlord will not enter into or permit any lease, license or occupancy agreement for any space in the Restricted Area or sell any portion of the Restricted Area under terms that would allow for the operation of any educational facility or otherwise permit any portion of the Restricted Area to be used as a post-secondary, graduate or post-graduate education facility that is in competition with all or any portion of Tenant's use as provided for in Section 6.1 of this Lease (collectively, the "**Exclusive Use**"). The rights of Tenant under this Section shall be enforceable by any permitted assignee, sublessee, licensee or other transferee.

(b) Intentionally Deleted.

(c) If Tenant's Exclusive Use is violated due to any tenant or occupant (an "**Offending Occupant**") using its premises in violation of Tenant's Exclusive Use (an "**Occupant Violation**"), Tenant may notify Landlord in writing of such Occupant Violation (an "**Exclusive Use Notice**"). Landlord shall use commercially reasonable efforts to remedy the Occupant Violation, including, without limitation, commencing an action or proceeding against the Offending Occupant as may be available at law or equity, including, without limitation, an action to enjoin the Offending Occupant from engaging in such violation (an "**Action**"). If Landlord fails to commence a cure of such Occupant Violation within ten (10) days after delivery of the Exclusive Use Notice and continuously and diligently prosecute such cure or does not commence an Action against the Offending Occupant as provided for above within such ten (10) day period, then Tenant may, in addition to any other remedy available to Tenant at law or in equity, including, without limitation, Tenant's pursuit of injunctive relief directly against the Offending Occupant, elect, by giving written notice to Landlord, to cause the Rent payable pursuant to this Lease after the expiration of such ten (10) day period to be reduced by fifty percent (50%) of the amount provided for herein, and such reduction in Rent shall remain in effect for so long as such Occupant Violation continues. If Landlord subsequently cures such Occupant Violation, Tenant's obligation to pay the full Rent shall be restored commencing with the fifth (5^{th}) day of the calendar month after Landlord delivers to Tenant written notice of such cure. Additionally, if Tenant elects to pursue an Action against an Offending Occupant and Tenant prevails in such Action, then Landlord shall reimburse Tenant for all costs, expenses and fees incurred by Tenant in connection therewith, including, without limitation, reasonable attorneys' fees. Notwithstanding anything contained herein to the contrary, if Landlord fails to reimburse Tenant in accordance with the terms of the preceding sentence within ten (10) days after Tenant's demand, then Tenant shall have the right to offset such costs payable by Landlord, plus interest thereon at the Default Interest Rate, against Rent otherwise payable by Tenant pursuant to this Lease until Tenant is fully reimbursed.

6.3 Prohibited Uses. Landlord further covenants and agrees that Landlord shall not during the Term, or any renewal or extension thereof, enter into or permit a lease, license agreement, occupancy agreement or other agreement, or otherwise transfer a possessory interest in the Building and/or Property to a tenant or occupant for any (i) of the following uses: a facility which engages in the sale of pornographic material (as determined by community standards in the Bettendorf, Iowa area), any striptease or topless establishment, any so-called "head shop" or store that sells bongs, coke spoons, roach clips and/or other drug paraphernalia, pawn shop, check cashing business, "Pay Day Loans" or similar businesses, an off track betting facility or other gambling establishment "adult movie theaters", tattoo parlors, a flea market, an abortion clinic, an auto or truck garage or service facility (including quick lube), a car rental agency, a convenience store, a bar, lounge, nightclub, music hall or disco or a so-called "package store" for the sale of alcoholic beverages or for a known illegal use and/or (ii) use or purpose that generates noise, odors or vibrations beyond the premises of a particular tenant or occupant that unreasonably interferes with Tenant's use as contemplated in this Lease (collectively, the "**Prohibited Uses**"). If the Prohibited Uses are violated, Tenant may notify Landlord in writing of such violation (a "**Prohibited Use Notice**"). Landlord shall use commercially reasonable efforts to remedy the violation, including, without limitation, Landlord shall commence such actions or proceedings against the offending tenant or occupant as may be available at law or equity, including, without limitation, initiation of an Action. If Landlord fails to commence a cure of such violation within thirty (30) days after delivery of the Prohibited Use Notice and continuously and diligently prosecute such cure or does not commence an Action against the Offending Occupant as provided for above within such thirty (30) day period, then Tenant may, in addition to any other remedy available to Tenant at law or in equity, including, without limitation, Tenant's pursuit of injunctive relief directly against the offending tenant or occupant, elect, by giving written notice to Landlord, to cause the Rent payable pursuant to this Lease after the expiration of such thirty (30) day period to be reduced by fifty percent (50%) of the amount provided for herein, and such reduction in Rent shall remain in effect for so long as such violation continues. If Landlord subsequently cures such violation, Tenant's obligation to pay the full Rent shall be restored commencing with the fifth (5^{th}) day of the calendar month after Landlord delivers to Tenant written notice of such cure.

6.4 Building Hours. Landlord agrees and acknowledges that Tenant shall have the right to conduct its business in the Premises, at a minimum, from 7:00 a.m. to 10:00 p.m., Monday through Saturday, and 11:00 a.m. to 6:00 p.m. on Sunday (**"Minimum Business Hours"**), except that in no event shall Tenant be open and operating within the Premises on New Year's Day, Labor Day, Presidents' Day, Thanksgiving Day, Memorial Day, Independence Day and Christmas Day. Notwithstanding such Minimum Business Hours for the Building, Tenant shall have access to the Premises twenty-four (24) hours per day, three hundred sixty-five (365) days per year. Notwithstanding anything contained in this Lease to the contrary, Landlord agrees and acknowledges that Tenant has no obligation to continuously operate its business within the Premises.

ARTICLE 7

INSURANCE

7.1 Landlord shall take out and maintain during the Term of this Lease, and any extension or renewal thereof, a minimum of the following insurance coverage:

(a) Landlord shall maintain Commercial Liability Insurance naming Tenant as a named insured, under which the insurer will defend and indemnify Tenant against all claims and demands for any injury to persons or property which may be claimed to have occurred in or around the Property in an amount not less than Two Million and 00/100 Dollars ($2,000,000.00) per occurrence and with such commercially reasonable deductibles as is typically carried by a prudent owner of a similar first-class building in Bettendorf, Iowa. Notwithstanding anything contained in this Lease to the contrary, (i) the deductibles under Landlord's insurance policies and self-insured retentions, if any, shall not, in the aggregate, exceed Three Thousand and 00/100 Dollars ($3,000.00) and (ii) only the premium cost of such insurance coverage obtained by Landlord pursuant to this Lease shall be included in Operating Expenses.

(b) Landlord shall maintain insurance on the Building and Landlord's personal property, including, without limitation, all furniture, fixtures, goods, machinery, equipment and inventory, against loss by fire, flood, water, theft or other insurable casualty, on an "all risk" form sufficient to provide one hundred percent (100%) replacement value of the Building and such personal property.

7.2 Each such policy shall contain a provision that no act or omission of the insured shall affect or limit the obligation of the insurance company to pay the amount of any loss sustained, and shall also contain a provision that the insurance company will endeavor to provide at least thirty (30) days prior written notice by certified mail, return receipt requested (which notice shall contain the policy number and the names of the insured and certificate holder) to the other party to this Lease prior to canceling or refusing to renew the policy, or changing in any material way the nature or extent of the coverage provided by such policy. Landlord shall, upon execution of this Lease, deliver to Tenant a certificate evidencing the effectiveness of the insurance policies required to be maintained hereunder. The limits of the insurance required in this Section shall not act to limit the liability of the parties under this Lease. All insurance required to be carried pursuant to the terms of this Lease shall be effected under valid and enforceable policies issued by reputable and independent insurers licensed to do business in the State of Iowa, or any successor thereto, as having a general policyholder rating of at least "A" and a financial rating of at least "VIII". In the event that Landlord fails to continuously maintain insurance as required by this Section, Tenant may, at its option and without relieving Landlord of any obligation hereunder, order such insurance and pay for the same at the expense of Landlord. In such event, Landlord shall repay the amount expended by Tenant, with interest thereon, immediately upon Tenant's written demand thereof.

7.3 Landlord and Tenant hereby waive their rights against each other with respect to any claims or damages or losses, including any deductibles and self-insured amounts which are caused by or result from (a) any occurrence insured against under any insurance policy (other than the commercial general liability insurance) carried by Landlord or Tenant (as the case may be) pursuant to the provisions of this Lease and enforceable at the time of such damage or loss, or (b) any occurrence which would have been covered under any insurance (other than the commercial general liability insurance) required to be obtained and maintained by Landlord or Tenant (as the case may be) under this Lease (as applicable) had such insurance been obtained and maintained as required therein. The foregoing waivers shall be in addition to, and not a limitation of, any other waivers or releases contained in this lease. Tenant shall cause each property insurance policy carried by Tenant to provide that the insurer waives all rights of recovery by way of subrogation against Landlord, in connection with any claims, losses and damages covered by such policy. If Tenant fails to maintain insurance for an insurable loss, such loss shall be deemed to be self-insured with a deemed full waiver of subrogation as set forth in the immediately preceding sentence. Landlord shall cause each property insurance policy carried by Landlord to provide that the insurer waives all rights of recovery by way of subrogation against Tenant, in connection with any claims, losses and damages covered by such policy. If Landlord fails to maintain insurance for an insurable loss, such loss shall be deemed to be self-insured with a deemed full waiver of subrogation as set forth in the immediately preceding sentence.

7.4 Tenant shall take out and maintain during the Term of this Lease, and any extension or renewal thereof, a minimum of the following insurance coverage

(a) Tenant shall maintain Commercial Liability Insurance naming Landlord as a named insured, under which the insurer will defend and indemnify Landlord against all claims and demands for any injury to persons or property which may be claimed to have occurred in or around the Property in an amount not less than One Million and 00/100 Dollars ($1,000,000.00) per occurrence, with an additional Five Million and 00/100 Dollars ($5,000,000.00) in umbrella coverage.

(b) Worker's compensation insurance.

(c) Business interruption insurance in an amount reasonably acceptable to Landlord; however, in no event in excess of six (6) months of business interruption insurance.

(d) Tenant shall at its own expense maintain in full force and effect on all of its improvements, alterations, inventory, furnishings, fixtures and equipment in the Premises, a policy or policies of fire and extended coverage insurance with vandalism and malicious mischief endorsements to the extent of one hundred percent (100%) of their replacement value, providing that deductible amounts under such policy or policies of insurance shall be used for the repair or replacement of the fixtures and equipment so insured.

ARTICLE 8

REPAIRS AND MAINTENANCE

8.1 Landlord's Repair Obligations.

(a) In addition to its representations and obligations elsewhere in this Lease, Landlord agrees, at its sole cost and expense, to maintain, repair and replace, from time to time, the Building, the Common Areas (including, without limitation, the parking area) all structural elements, exterior walls, roof, foundations, flooring, concrete slab and boilers (if any) in or with respect to the Building, and the HVAC, electric, gas and plumbing systems from their respective points of common connection and the portion thereof that is outside of the Building, in another tenant's premises or beneath the floor slab, in good working order, condition and repair at all times (consistent with first class buildings in Bettendorf, Iowa), to make all repairs and/or replacements promptly when and as needed in order to insure that the same comply with all Applicable Laws, to insure that the Building is watertight and free from leaks and shall be responsible for latent and defects (with all such items being referred to herein as "items for which Landlord is responsible under this Lease"). Except as otherwise provided in this Lease, all costs and expenses incurred by Landlord in connection with the maintenance, repairs or replacements of items for which Landlord is responsible under this Lease shall be included within Operating Expenses. Landlord shall also be responsible for paying any and all fines and penalties assessed by any governmental or quasi-governmental authority, agency or board if the Premises fails to meet any codes, rules or regulations during the Term, or any extension or renewal thereof, with respect to items Landlord is responsible for as set forth in this Lease.

(b) Notwithstanding anything contained herein to the contrary, Landlord agrees and acknowledges that; prior to the Rent Commencement Date, Landlord shall replace the existing overhead rear door (the approximate location of which is depicted on the Site Plan) with a new overheard rear door, and (ii) Landlord shall restripe the side parking lot (cross-hatched on the Site Plan) no later than April 30, 2010. In connection with the foregoing work, Landlord shall only use new materials, and such work shall be completed in a good and workmanlike manner and in compliance with all Applicable Laws, including, without limitation, ADA.

(c) If Landlord fails to perform any maintenance, repair and/or replacement obligation of Landlord pursuant to this Lease within thirty (30) days after notice thereof from Tenant or such longer period as is necessary if Landlord commences the cure thereof within such thirty (30) day period and thereafter diligently prosecutes the same until completion, then Tenant shall have the right (**"Self-Help Right"**), but not the obligation, to perform such maintenance, repair or replacement on behalf of Landlord in accordance with the following procedure:

As a condition to exercising Tenant's Self-Help Right expressly provided to Tenant by this Section:

(i) if Tenant's action in accordance with this Section affects the electrical, mechanical, plumbing, HVAC or life safety systems servicing the Building, then Tenant shall engage Landlord's approved contractors for such work, provided that Landlord delivers to Tenant written notice of the approved contractors, the approved contractors are capable of accommodating Tenant's schedule for the performance of the work and such approved contractors execute construction contracts in form and substance reasonably acceptable to Tenant;

(ii) Tenant shall take only such action as is reasonably necessary to correct the defective condition;

(iii) all work done in accordance with this Section by any contractor that is not a Landlord approved contractor must be performed at a reasonable and competitive cost and expenses;

(iv) Tenant shall use commercially reasonable efforts to minimize interference with the rights of other tenants to use their respective premises; and

(v) any work done by Tenant under this Section shall be completed in accordance with all Applicable Laws.

Additionally, notwithstanding anything contained herein to the contrary, if there is an emergency situation, Tenant shall have the right, but not the obligation, to exercise its Self-Help Right; provided, however, promptly thereafter Tenant shall notify Landlord of the same and the same shall not be considered a default by Landlord under the terms of this Lease. In the event Tenant exercises its Self-Help Right as hereinabove provided, Landlord shall pay to Tenant the reasonable cost of such maintenance, repair or replacement work, plus an administrative fee equal to fifteen percent (15%); provided, however, such administrative fee shall not be payable for the exercise by Tenant of its Self-Help Right during an emergency situation, within ten (10) days of Tenant's delivery to Landlord of reasonable supporting documentation evidencing the actual cost of such work. Notwithstanding anything contained herein to the contrary, if Landlord fails to pay Tenant in accordance with the terms of the preceding sentence within such ten (10) day period, then Tenant shall have the right to offset such costs payable by Landlord, plus interest thereon at the Default Interest Rate, against Rent otherwise payable by Tenant pursuant to this Lease until Tenant is fully reimbursed.

8.2 Tenant's Repair Obligations. Tenant, at Tenant's sole cost and expense, shall be responsible for maintaining and repairing, and causing compliance with law of all components of the Premises which are not items for which Landlord is responsible under this Lease, including the HVAC, plumbing, electrical and other building systems servicing the Premises (to the point of common connection with the Premises to the extent that the same exclusively service the Premises and are not located beneath the floor slab, outside of the Building or in another tenant's premises), ordinary wear and tear, acts of Landlord (and any other party under Landlord's control), casualty and condemnation damage excluded; provided, however, Tenant shall be responsible for compliance with the ADA only as to interior improvements solely made by Tenant within the Premises. Also, Tenant is responsible for any damage to the Premises caused by the negligence or willful misconduct of Tenant, its agents, employees, contractors, enrolled students or Affiliates (hereinafter defined). If either party in good faith contests any claim of lack of ADA compliance, and such contest does not jeopardize or subject the other party to any liability, claim or penalty, then the temporary failure to comply until such contest is complete shall not be deemed a default hereunder.

ARTICLE 9

LANDLORD'S RIGHTS REGARDING THE PREMISES

9.1 Landlord has the right during normal business hours and after providing Tenant with one (1) business day advance written notice (except in case of emergency involving imminent danger to person or property, in which case Landlord may enter at any time, but with subsequent notice to Tenant of such entry) to enter the Premises for the purpose of inspection or for the purpose of making any repairs or replacements as required by this Lease, provided Landlord does not materially or unreasonably interfere with Tenant's use of all or any part of the Premises and, if required by Tenant, accompanied by a representative of Tenant at all times while inside the Premises. Landlord's employees shall provide proper identification upon request and shall comply with Tenant's reasonable security regulations. All repairs or replacements shall be made in a good and workmanlike manner and in compliance with Applicable Laws. Landlord shall reimburse Tenant for all costs of repairs or replacements of Tenant's property damaged thereby. Landlord shall not interfere with the conduct of Tenant's business in connection with such inspections, repairs and/or replacements. Notwithstanding anything contained above or elsewhere in this Lease, Landlord agrees that if any of the repairs or replacements performed by Landlord, its agents or contractors materially or adversely interfere with Tenant's use of the Premises for three (3) consecutive days, Tenant's Rent will abate until such time as Tenant's use of the Premises are no longer materially and adversely affected by such repairs, alterations, improvements or replacements, based on and to the extent of the reasonable apportionment of the Premises interfered with versus the overall Premises.

ARTICLE 10

APPROVALS

10.1 Notwithstanding anything contained in this Lease to the contrary, the parties acknowledge that Tenant's performance under this Lease is expressly contingent upon Tenant receiving all accreditations, licenses, use permits and approvals (collectively, the "**Approvals**") from the applicable governmental authorities for the operation of Tenant's facilities in the Premises as contemplated hereunder. Landlord agrees to cooperate with Tenant to obtain all

Approvals as expeditiously as possible. In the event that Approvals are not obtained on or before one hundred eighty (180) days after execution of this Lease by Landlord and Tenant, then Tenant may cancel this Lease without any further obligation or rights to either party by providing written notice to Landlord of such election within ten (10) days after the expiration of such one hundred eighty (180) day period.

ARTICLE 11

ASSIGNMENT AND SUBLETTING

11.1 Except as provided for in Section 11.2 below, Tenant may not assign this Lease or sublet the Premises (in whole or in part) without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed and which consent must not be denied in any event where (i) such assignment or subletting does not violate any existing exclusive or restrictions of another tenant or occupant of the Land existing at the time of the proposed assignment or sublease; (ii) Tenant remains responsible for the payment of Rent, unless expressly released in writing by Landlord, as determined by Landlord in Landlord's sole discretion; and (iii) in the case of assignment, such assignee assumes in writing all of the terms and provisions of this Lease to be performed or observed by Tenant, and in the case of a sublease, such sublessee acknowledges and agrees in writing to comply with all of the terms and provisions of this Lease to be performed or observed by Tenant. Landlord's failure to respond to a written request for consent from Tenant in connection with a proposed assignment or subletting within ten (10) business days shall automatically be deemed to be an approval of such request. Notwithstanding anything contained in this Lease to the contrary, in the event the proposed assignment or sublease provides for, or Tenant otherwise receives rent or other consideration in excess of that provided for in this Lease, Tenant shall be entitled to retain all of such excess.

11.2 Notwithstanding anything set forth above, Tenant may assign this Lease or sublet the Premises or any portion thereof (herein, a "**Permitted Transfer**") without the prior consent of Landlord to any Successor (hereinafter defined) or Affiliate (hereinafter defined), or to effect a transfer of ownership, control or assets of Tenant to a Successor or Affiliate (each, a "**Permitted Transferee**"); provided that in any such instance the Permitted Transferee shall be bound by the all of the terms and conditions of this Lease. "**Successor**" is defined as any corporation or entity resulting from a merger or consolidation with Tenant or any corporation or entity succeeding to substantially all of the business and assets of Tenant. "**Affiliate**" is defined as any corporation or entity that through one or more intermediaries, controls or is controlled by, or is under common control with, Tenant ("**control**" meaning the possession of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract or otherwise). Further, any change of ownership resulting in a change of majority control from those persons or entities not having control will not be deemed an assignment or transfer requiring Landlord's consent. Notwithstanding anything set forth above, any public offering or transfer in which all or a portion of Tenant's stock will be sold or traded on a nationally recognized stock exchange or on the "over-the-counter" market or the sale of Tenant's stock on a nationally recognized stock exchange or over-the-counter-market shall not be deemed an assignment for the purposes of this Lease and nothing in this Article shall be applicable to, nor prohibit, such transaction.

11.3 Notwithstanding anything contained in this Lease to the contrary, in the event that any assignee has a greater net worth than Tenant at the time of the proposed assignment, Landlord shall release Tenant from all of Tenant's obligations under this Lease.

ARTICLE 12

SURRENDER AT END OF TERM

12.1 Tenant agrees that, at the time of expiration or earlier termination of this Lease, Tenant will at its sole cost and expense:

(a) deliver the Premises to Landlord in good condition and repair, subject to ordinary wear and tear, condemnation, casualty or acts of Landlord or those under Landlord's control; and

(b) except for Stipulated Removals, if any, at the sole option of Tenant, remove any or all installations, improvements and alterations that Tenant has made to or at all or any part of the Premises. Upon removal, Tenant will repair any damage to the Premises caused solely by its installation and/or removal.

12.2 Tenant may remove any of its trade fixtures, furnishings, equipment and other Personal Property (hereinafter defined), provided that Tenant repairs any damage to the Premises caused solely by its installation and/or removal. Any of Tenant's Personal Property remaining within the Premises after the expiration or sooner termination of this Lease and not removed by Tenant, subject to the terms of this Lease, shall be deemed abandoned by Tenant and shall become the property of Landlord.

ARTICLE 13

CASUALTY

13.1 If the Premises, the Building or the parking areas is/are damaged or destroyed by fire or other casualty, Landlord shall commence repair or restoration of the same within sixty (60) days of such fire or other casualty and shall diligently pursue such repair and restoration to completion unless this Lease is terminated as provided herein. Landlord shall pay the cost of repair to any damage or destruction of the Building, the Premises (exclusive of Tenant's inventory, furnishings, fixtures, equipment and other tangible personal property that is to be insured separately by Tenant pursuant to the terms of this Lease) and/or the parking areas. Tenant shall reasonably cooperate with Landlord to allow Landlord access to such portion of the Premises as Landlord reasonably requires to enable Landlord to repair the Premises or such portion of the Building (as requires access to the Premises to effect such repairs).

13.2 If the Premises, the parking areas or any portion of the Building materially affecting Tenant's use of or access to the Premises are damaged or destroyed by fire or other casualty not caused by the gross negligence or willful misconduct of Tenant or its agents, contractors, employees or prospective or enrolled students, the Rent and other expenses shall completely abate proportionate to the impairment of Tenant's use of or access to the Premises until such damage or destruction is repaired in its entirety. Except as specifically provided in this Lease, this Lease shall not terminate, Tenant shall not be released from any of its obligations under this Lease, the Rent and other expenses payable by Tenant under this Lease shall not abate and Landlord shall have no liability to Tenant for any damage or destruction to the Premises, the Building and/or the parking areas.

13.3 If the Premises, the Building and/or the parking areas is/are damaged or destroyed by fire or other casualty and the repair and/or restoration of the Premises, the Building and/or the parking areas cannot with reasonable diligence be completed within two hundred seventy (270) days after the date of such fire or other casualty, then Landlord shall have the option to terminate this Lease within sixty (60) days from the date of such fire or other casualty by delivering written notice to Tenant. If Landlord elects to terminate this Lease as provided in this Section, this Lease shall terminate effective as of the date of such fire or other casualty.

13.4 Notwithstanding anything contained in this Lease to the contrary, if any damage or destruction to the Premises, the Building, the Property, the Common Areas and/or the parking areas affects Tenant's use and enjoyment of the Premises, and (a) Landlord estimates that such damage and destruction cannot be fully repaired within two hundred seventy (270) days after the date of the casualty, (b) Tenant's possession and use of the Premises is not in fact restored by Landlord within such two hundred seventy (270) day period for reasons other than the gross negligence or willful misconduct of Tenant or its agents, employees, contractors or prospective or enrolled students, or (c) the casualty occurs during the last thirty-six (36) months of the Term of this Lease, or any extension or renewal thereof, then Tenant shall have the right to terminate this Lease by delivering written notice thereof to Landlord, in which case this Lease and the obligations of the parties hereto shall be null and void and of no further force and effect, excluding any obligations of the parties that expressly survive the expiration or earlier termination of this Lease and any obligations of the parties accruing prior to such termination date.

ARTICLE 14

CONDEMNATION

14.1 If the whole, or a substantial part (i.e. so as to render the remainder of the Premises or the Building insufficient for Tenant's use, as determined by Tenant in its sole discretion) of, the Premises, Building and/or the Common Areas (including the parking areas) shall be taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including, without limitation, sale under threat of such a taking), then the term of this Lease shall cease and terminate as of the date physical possession of the Premises and/or the Building is/are taken by such governmental or quasi-governmental authority, and Base Rent and Additional Rent shall be prorated to the date physical possession of the Premises and/or the Building is/are taken by such governmental or quasi-governmental authority. If less than a substantial part (as defined above) of the Premises, the Building and/or the Common Areas (including the parking areas) is/are taken or condemned by any governmental or quasi-governmental authority for any pubic or quasi-public use or purpose (including, without limitation, sale under threat of such a taking), Landlord shall restore the balance of the Premises, the Building and/or the Common Areas (including the parking areas) to a complete architectural unit as close to the condition of the Premises, the Building and/or the

Common Areas (including the parking areas) before such taking or condemnation as is reasonably possible and Rent shall be reduced by the ratio that the rentable square footage of the portion of the Premises so taken bears to the rentable square footage of the Premises before such taking or in proportion to the impact on Tenant's use of the Premises as reasonably and mutually determined by Landlord and Tenant, effective as of the date physical possession of the Premises and/or the Building is/are taken by such governmental or quasi-governmental authority, and this Lease shall otherwise continue in full force and effect. Notwithstanding the foregoing, in the event that Tenant, in good faith, is unable to conduct its operations within the Premises following such restoration by Landlord or prior to such restoration notified Landlord that the impact of the taking will have a material adverse affect on Tenant's ability to use the Premises, then Tenant may terminate this Lease by delivering written notice thereof to Landlord, in which event, the term of this Lease shall cease and terminate as of the date physical possession of any portion of the Premises, the Building and/or the Common Areas (including the parking areas) is/are taken by such governmental or quasi-governmental authority, and Base Rent and Additional Rent shall be prorated to such date. Tenant shall have no claim against Landlord (or otherwise) as a result of such taking, and Tenant hereby agrees to make no claim against the condemning authority for any portion of the amount that may be awarded as compensation or damages as a result of such taking; provided, however, that Tenant may, to the extent allowed by law, claim an award for moving expenses , the taking of any of Tenant's property or improvements paid for by Tenant and Tenant's leasehold interest in and to the Premises, as long as such claim is separate and distinct from any claim of Landlord and does not diminish Landlord's award.

ARTICLE 15

DEFAULT BY TENANT

15.1 If at any time during the Term, or any extension or renewal thereof, (i) Tenant fails to pay the Base Rent or Tenant's Share of Operating Expenses or Rent within fifteen (15) days after written notice that payment thereof is past due, (ii) Tenant fails to pay any other Additional Rent within thirty (30) days after written notice that payment thereof is past due, (iii) Tenant shall fail to fully perform or observe any of the other terms, covenants, conditions or agreements of this Lease for thirty (30) days after written notice and demand (provided, however, if such default shall be of such a nature that the same cannot practicably be cured within said thirty (30) day period, then, if Tenant shall not within said thirty (30) day period commence with due diligence and dispatch the curing and performance of such defaulted term, covenant, condition or agreement, and shall thereafter fail or neglect to prosecute and complete with due diligence and dispatch the curing and performance of such defaulted term, covenant, condition or agreement), (iv) there shall be filed by or against Tenant in any court or other tribunal pursuant to any statute or other rule of law, either of the United States or of any State or of any other authority now or hereafter exercising jurisdiction, a petition in bankruptcy or insolvency proceedings or for reorganization or for the appointment of a receiver or trustee of all or substantially all of Tenant's property and the same is not dismissed within sixty (60) days, or (v) if Tenant makes an assignment for the benefit of creditors (each of the foregoing being an "**Event of Default**"); then, and in any such case, Landlord may, at any time thereafter, exercise any one of the remedies set forth in the remainder of this Article 15.

15.2 Upon the occurrence of a monetary Event of Default, Landlord may terminate this Lease, by written notice to Tenant, without any right by Tenant to reinstate its rights by payment of Rent due or other performance of the terms and conditions hereof. Upon such termination Tenant shall immediately surrender possession of the Premises to Landlord.

15.3 Upon a termination of this Lease, due to an event of default, Landlord may recover from Tenant the following: (i) the worth at the time of award of the unpaid Rent and other charges under this Lease that had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent and other charges under this Lease which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Rent and other charges under this Lease for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the out-of-pocket costs and expenses reasonably incurred by Landlord proximately caused by Tenant's failure to perform its obligations under this Lease or that in the ordinary course of things would be likely to result therefrom. As used herein, the following terms are defined: (a) The "worth at the time of award" of the amounts referred to in clauses (i) and (ii) is computed by allowing interest at the lesser of eight percent (8%) per annum or the maximum lawful rate. The same phrase as used in clause (iii) above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank for the region where the Property is located at the time of the award, plus one percent (1%).

15.4 With or without terminating this Lease, as Landlord may elect, upon the occurrence of an Event of Default, Landlord may re-enter and repossess the Premises, or any part thereof, and lease it to any other person upon such terms as Landlord in good faith shall deem reasonable, for a term within or beyond the Term; provided, that any such reletting prior to termination shall be for the account of Tenant, and Tenant shall remain liable for (1) all Base Rent, Additional Rent and other sums which would be payable under this Lease by Tenant in the absence of such expiration, termination or repossession, less (2) the net proceeds, if any, of any reletting effected for the account of Tenant after deducting from such proceeds, all of Landlord's reasonable expenses, reasonable attorneys' fees and expenses, reasonable employee's expenses, reasonable alteration costs, reasonable expenses of preparation for such reletting and all other reasonable costs and expenses incurred as a result of Tenant's breach of this Lease. If the Premises are at the time of the Event of Default sublet or leased by Tenant to others, Landlord may, as Tenant's agent, collect rents due from any subtenant or other tenant and apply such rents to the Rent and other amounts due hereunder without in any way affecting Tenant's obligation to Landlord hereunder provided Tenant shall receive a credit for same. Such agency, being given for security, is hereby declared to be irrevocable.

15.5 After the occurrence of an Event of Default, with respect to any portion of the Premises which is vacant or which is not physically occupied by Tenant, Landlord may remove all persons and property therefrom, and store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant, without service of notice or resort to legal process (all of which Tenant expressly waives) and without being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby.

15.6 No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy herein provided, but each shall be cumulative and in addition to every other right or remedy given herein.

15.7 Notwithstanding anything contained in this Lease to the contrary, Landlord shall have the obligation to use commercially reasonable efforts to relet the Premises and mitigate Landlord's damages hereunder. Notwithstanding anything contained in this Lease to the contrary, Landlord shall have no right to accelerate Rent due to any Event of Default by Tenant.

ARTICLE 16

DEFAULT BY LANDLORD

16.1 It shall be a default under and a breach of this Lease by Landlord if it shall fail to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease for a period of thirty (30) days after notice thereof from Tenant; provided, however, that if the term, condition, covenant or obligation to be performed by Landlord is of such nature that the same cannot reasonably be performed within such thirty (30) day period, such occurrence shall not constitute a default if Landlord commences such performance within said thirty (30) day period and thereafter diligently undertakes to complete the same. Upon the occurrence of any such default, Tenant, may pursue any rights or remedies that Tenant is entitled to under this Lease, as well as any rights or remedies available at law or in equity, including, without limitation, specific performance and injunctive relief, and Landlord shall be obligated to pay for all reasonable costs and expenses in connection therewith. If Landlord fails to pay any such amount within ten (10) days after demand therefor, Tenant shall be entitled to offset such amount, plus interest thereon at the Default Interest Rate, against its Rent obligations under this Lease until Tenant is fully repaid.

ARTICLE 17

NON-DISTURBANCE AGREEMENT/SUBORDINATION

17.1 In connection with any future financing of the Property, Tenant agrees, at no cost or expense to Tenant, to execute a Subordination, Non-Disturbance and Attornment Agreement (**"SNDA"**) within thirty (30) days after Tenant's receipt of Landlord's request, which SNDA shall be recorded with the Scott County, Iowa Recorder's Office. The SNDA shall be in form and substance reasonably acceptable to Landlord, Tenant and Landlord's future lender and Landlord shall be solely responsible for the payment of all costs and expenses charged by Landlord's future lender to negotiate such SNDA and associated with the recording of such SNDA.

17.2 Any lender may at any time subordinate the lien of its mortgage to this Lease, without Tenant's consent, by giving written notice to Tenant, and thereupon this Lease shall be deemed prior to the lien of such mortgage without regard to their respective dates of execution and delivery.

17.3 Simultaneously with the execution of this Lease, the master lessor (under the Master Lease identified in Exhibit "I") shall execute a Recognition Agreement (attached hereto as Exhibit "J") with Tenant.

ARTICLE 18

ATTORNEYS' FEES

18.1 In the event of any litigation arising under this Lease, the non-prevailing party shall, upon demand, reimburse the prevailing party for all costs and expenses arising therefrom, including reasonable attorneys' fees and expenses through the trial and appellate levels. If Tenant is the prevailing party and Landlord fails to reimburse Tenant for its reasonable attorneys' fees and expenses within ten (10) days after demand therefor, then Tenant may offset the cost of such reasonable attorneys' fees and expenses against Rent, plus interest thereon at the Default Interest Rate, until Tenant is fully reimbursed.

ARTICLE 19

CERTAIN REPRESENTATIONS; QUIET ENJOYMENT

19.1 Landlord hereby represents and warrants to Tenant that, as of the date hereof, the following is to be true and correct (and upon delivering the Premises to Tenant in the condition required by this Lease shall be deemed to have represented and warranted to Tenant that, as of the date of such delivery, the following is true and correct with respect to the Premises):

(a) Landlord is not aware and has not received notice of the violation of any Applicable Laws with respect to the Property;

(b) All structural components of the Building, including, but not limited to, the roof, exterior walls, supporting columns and walls and foundation, are free from material defects and the Building is watertight and free from leaks;

(c) The Premises are in compliance with all Applicable Laws;

(d) Landlord is the ground lessee of the Land and the improvements, thereon, including the Building, pursuant to the Master Lease;

(e) Landlord has the full right, power and authority to execute this Lease;

(f) There is currently legal access to and from a public right-of-way;

(g) There are no mortgages (other than the Master Lease), or similar instruments affecting all or any part of the Premises, and there is no agreement, restriction, encumbrance, easement or any other matter which would limit or reduce any of Tenant's rights under this Lease or which would increase Tenant's obligations hereunder;

(h) Tenant, upon paying the Base Rent and Additional Rent and performing and observing the terms, covenants and conditions of this Lease on Tenant's part to be performed, shall peaceably and quietly have, hold and enjoy the Leased Premises, free from interference by anyone claiming by, through or under Landlord during the Term, and the Leased Premises are free from tenancies of any nature or kind (other than the Lease).

(i) All applicable and/or necessary permits currently required with respect to Landlord's ownership of the Property (excluding the Premises), and for the use and operation of the Building and site improvements presently erected and constructed thereon, have been properly issued and are current, and there are no outstanding notices or violations issued by any governmental or quasi-governmental agency or department;

(j) A valid certificate of occupancy has been, or before the Commencement Date will be, issued with respect to the Building (excluding the Premises), and the use and occupancy by Tenant for the uses permitted in this Lease will not violate any such certificate of occupancy or any of the zoning laws, rules and regulations applicable to the Land and the Building.

(k) The Building is zoned C-2, Community Shopping District, which permits Tenant to conduct the Permitted Use within the Premises, per the letter from Greg Beck, City Planner for the City of Bettendorf, attached hereto as Exhibit "H" and made a part hereof;

(l) Landlord has not filed and is not contemplating filing (nor has there been filed or threatened to be filed against Landlord), any action under any state or federal bankruptcy, insolvency or other similar laws;

(m) Landlord has received no actual or constructive notice of any condemnation or eminent domain proceedings or negotiations for the purchase of the Property, or any part thereof, in lieu of condemnation, no proceedings have been threatened in connection with the Property or any part, and Landlord is not aware of any information that any condemnation or eminent domain is being or has been publicly discussed;

(n) The HVAC, electrical system, mechanical system and plumbing system servicing the Premises are in good working order and compliant with all Applicable Laws;

(o) There is no litigation or other proceedings pending or threatened affecting title to or the permitted uses of the Property;

(p) There are no signage restrictions that bind the Land either by a restrictive covenant or uniform signage plan, whether or not recorded or filed with the local recording or governing authority, and Tenant shall have the right to install the signage as set forth in Article 23 of this Lease; and

(r) There are no recorded or unrecorded easements, restrictions, agreements or encumbrances, other than the requirements of Applicable Laws and the permitted title exceptions ("Permitted Title Exceptions"), which are more particularly identified on Exhibit "I", that will materially and adversely affect Tenant's rights and obligations as otherwise provided for in this Lease.

In the event any of the above are not accurate in any respect then, in any such event and in addition to any and all other rights and remedies to which Tenant is entitled under this Lease, at law and/or in equity, Tenant shall have the right to terminate this Lease. The terms of this Article 19 shall survive the expiration or termination of this Lease.

ARTICLE 20

INDEMNITY

20.1 Subject to the terms and conditions of Section 7.3 of this Lease, except to the extent resulting from the gross negligence or willful misconduct of Tenant, its agents, employees or contractors, Landlord agrees to indemnify, defend and hold Tenant harmless against any and all loss, damage, claim, demand, liability or expense (including court costs and reasonable attorneys' fees through the trial and appellate levels) by reason of any damage or injury to persons (including death) or property which may arise or claim to have arisen as a result of, or in connection with Landlord's use or occupancy of all or any part of the Property and/or Landlord's default hereunder and/or Landlord's negligence or willful misconduct or that of Landlord's agents, contractors, licensees, invitees, employees and/or any other party under Landlord's reasonable control, including, but not limited to, Landlord's failure to properly maintain and/or repair the Property, the Building or the Common Areas as required pursuant to this Lease.

20.2 Subject to the terms and conditions of Section 7.3 of this Lease, except to the extent resulting from the gross negligence or willful misconduct of Landlord, its agents, employees or contractors, Tenant agrees to indemnify, defend and hold Landlord harmless against any and all loss, damage, claim, demand, liability or expense (including court costs and reasonable attorneys' fees through the trial and appellate levels) by reason of any damage or injury to persons (including death) or property which may arise or claim to have arisen as a result of, or in connection with Tenant's use or occupancy of all or any part of the Premises and/or Tenant's default hereunder and/or Tenant's negligence or willful misconduct or that of Tenant's agents, contractors, licensees, enrolled students, employees and/or any other party under Tenant's reasonable control, including but not limited to, Tenant's failure to properly maintain the Premises as required pursuant to this Lease.

20.3 The parties understand that the foregoing indemnity and hold harmless agreements are intended to benefit each party against the claims of third parties (including, but not limited to, employees, students and others), but shall not be intended to cover loss or damage to their own property, lost profits or other incidental or consequential losses.

ARTICLE 21

INTENTIONALLY OMITTED

ARTICLE 22

MECHANIC'S LIENS

22.1 Landlord and Tenant shall each discharge any lien, encumbrance or charge filed against the Premises arising out of any work of any contractor, mechanic, laborer or material contracted for directly by Landlord or Tenant, as applicable. If any such lien on account of either Landlord or Tenant shall be filed against the Premises, the applicable party shall, within thirty (30) days after notice of the filing thereof, cause the same to be discharged of record by payment, deposit, bond or otherwise. Landlord and Tenant each shall promptly pay any contractors and materialmen engaged by it who supply labor, work or materials to such party at the Premises so as to prevent the possibility of a lien attaching to the Premises or any portion thereof. Landlord and Tenant shall each take all steps permitted by law in order to avoid the imposition of any such mechanic's, laborer's or materialman's lien. If either party (the "**Liening Party**") shall fail to remove any lien, encumbrance or charge filed against the Premises for which it is responsible within the foregoing period, the other party may pay the amount necessary to remove such lien, encumbrance or charge, without being responsible for investigating the validity thereof. The amount so paid shall be payable by the Liening Party within thirty (30) days after demand together with reasonably supportive documentation therefor, without limitation as to other remedies available to the other party under this Lease, law or in equity.

22.2 All persons supplying labor and material to the Premises at the request of Tenant or Tenant's contractors or agents shall look solely to the interest of Tenant under this Lease and not to the interest of Landlord.

ARTICLE 23

SIGNAGE

23.1 Subject to all Applicable Laws at any time during the Term of this Lease, and any renewal or extension thereof, Tenant shall have the right, but not the obligation, to design, fabricate and install the following signage ("Signage") on or within the Building or within the Property, as the case may be, at Tenant's sole cost and expense:

(a) Building crown signage to be located on the west facade of the Building facing East Kimberly Road;

(b) Building crown signage to be located on the east facade of the Building facing I-74; and

(c) Tenant's name and logo on the two (2) pylon signs identified on the Site Plan.

The approved Tenant signage, showing the design, size, lamination and placement is set forth on Exhibit "E", attached hereto and incorporated herein ("Sign Drawings"), or if such Sign Drawings are not attached to this Lease, then the same shall be subject to Landlord's approval, which approval shall not by unreasonably withheld, conditioned or delayed.

23.2 If (i) Tenant's signage rights as provided for in this Lease are violated or (ii) the view corridors ("**View Corridors**") for Tenant's signage, which View Corridors are within the area approximately single-hatched on Exhibit "B" to this Lease, are obstructed by Landlord, or if Landlord permits a tenant or occupant of the Building to obstruct such View Corridors, other than temporary obstructions relating to repairs and maintenance to the Property (collectively, a "**Signage Violation**"), then Tenant may notify Landlord in writing of such Signage Violation (a "**Signage Notice**"). Landlord shall use commercially reasonable efforts to remedy any such

Signage Violation. If Landlord fails to cure any such Signage Violation relating to Tenant's signage rights within three (3) days after delivery of the Signage Notice, Tenant may, in addition to any other remedy available to Tenant at law or in equity, elect, by giving written notice to Landlord, to cause the Base Rent payable pursuant to this Lease after the expiration of such three (3) day period to be reduced by fifty percent (50%) of the amount provided for herein, and such reduction in Rent shall remain in effect for so long as such Signage Violation continues. If Landlord subsequently cures such Signage Violation, then Tenant's obligation to pay the full Rent shall be restored commencing with the first (1st) day of the calendar month after Landlord delivers to Tenant written notice of such cure. Notwithstanding the foregoing, in no event shall any change in the signage codes or ordinances of Bettendorf, Iowa be deemed to be a Signage Violation under this Section 23.2.

23.3 The signage rights granted to Tenant pursuant to this Article shall be proportionately allocated to any subtenant of all or any portion of the Premises or any assignee of Tenant so long as such sublease or assignment was not executed in violation of the terms of this Lease.

ARTICLE 24

NOTICES

24.1 Any notices, demands, and requests by either party shall be sent either by (i) certified mail, postage prepaid, return receipt requested, or (ii) overnight delivery service, in each case addressed to the party to receive such payment, notice, demand or request at its addresses given below or such other address as it may have designated by notice similarly given. Any notice furnished under this Lease will be deemed conclusively to have been given when actually delivered to (or refused by) the pertinent party. Either party to this Lease may change the address to which any notice (or a copy of any notice) must be mailed by giving written notice of such change to the other party as provided in this Article 24, except that any such notice of change of address shall not be effective until actual delivery of the same to the pertinent party.

All notices must be given to the following:

If to Landlord:

JOSEPH R. MILLER KIMBERLY ROAD TRUST, LLC
994 Edgebrook Lane
Glencoe, Illinois 60022-1042
Attn: Joe Miller

If to Tenant:

AMERICAN EDUCATION CENTERS, INC.
d/b/a Brown Mackie College – Quad Cities
c/o Education Management Corporation
210 Sixth Avenue
Pittsburgh, Pennsylvania 15222
Attn: Vice President of Corporate Real Estate

With a copy to:

AMERICAN EDUCATION CENTERS, INC.
d/b/a Brown Mackie College – Quad Cities
2119 East Kimberly Road
Bettendorf, Iowa 52722
Attn: President

and

Education Management Corporation
210 Sixth Avenue
Pittsburgh, Pennsylvania 15222
Attn: Senior Real Estate Counsel

and

Fischer Corporate Real Estate Services
Galleria Tower Two
13455 Noel Road, Suite 1900
Dallas, Texas 75240
Attn: EDMC Lease Administration

ARTICLE 25

ENVIRONMENTAL MATTERS

25.1 Landlord represents and warrants to Tenant that, as of the date hereof and the Commencement Date, no Hazardous Substance is or will be located at, on or in all or any portion of the Property nor have Hazardous Substances been generated, stored or disposed of on the Property nor have the same been transported to or over the Property. In addition, Landlord shall provide Tenant with environmental reports confirming the foregoing. "**Hazardous Substance**" shall be interpreted broadly to mean any substance or material defined as hazardous or toxic waste, hazardous or toxic material, hazardous or toxic or radioactive substance, or other similar term by any federal, state or local environmental law, ordinance, regulation or rule presently in effect, as the same may be amended from time to time (the "**Environmental Laws**"); and it shall be interpreted to include, but not be limited to, any substance (including, without limitation, pollutants, lead, asbestos, radon, mold and petroleum products) which after release into the environment will or may reasonably be anticipated to cause sickness, death or disease. Landlord will hold Tenant harmless and indemnify Tenant against and from any damage, loss, expense or liability resulting from any and all claims, damages, losses, expenses, liabilities, fines, penalties, charges, administrative or judicial proceedings and orders, judgments, remedial action, enforcement actions of any kind (and all other costs and expenses incurred in connection therewith) resulting from any breach of this representation and warranty, including, without limitation, all attorney's fees and costs incurred as a result thereof (including those on appeal and in all manner of proceedings), as well as with respect to any and all Hazardous Substances located at, in or on the Property which were not brought to the Property or generated by Tenant. In addition, Landlord, at Landlord's sole cost and expense, shall be fully responsible for, and shall conduct, all assessment, remediation and clean-up activities required by the Environmental Laws to be conducted in connection with the Hazardous Substances and, in connection therewith, Landlord shall use due diligence, shall fully comply with all Environmental Laws and shall not interfere with Tenant or Tenant's activities at the Premises. Landlord's obligations hereunder shall survive the termination or expiration of this Lease.

25.2 Notwithstanding the foregoing, (i) Tenant shall not use, generate, store, treat, dispose of, or otherwise introduce into, on or about the Premises any Hazardous Substance, nor shall Tenant cause or permit any other person or entity to do so, other than such Hazardous Substances as are commonly used or produced as a consequence of using the Premises for the Permitted Uses, but only so long as the quantities thereof and their use do not violate Environmental Laws and (ii) Tenant shall indemnify and hold Landlord harmless from any and all claims, damages, losses, expenses, liabilities, fines, penalties, charges, administrative or judicial proceedings and orders, judgments, remedial action, enforcement actions of any kind (and all other costs and expenses incurred in connection therewith) resulting from its non-compliance with the provisions of this Article 25, including, without limitation, all reasonable attorneys' fees and costs incurred as a result thereof (including those on appeal and in all manner of proceedings), but in each case excluding incidental or consequential damages.

25.3 The provisions of this Lease regarding environmental matters shall survive the expiration or sooner termination of this Lease.

ARTICLE 26

OBLIGATIONS WHICH SURVIVE EXPIRATION OF THIS LEASE

26.1 The following obligations of the parties shall survive the expiration or termination of this Lease: (a) any obligation herein permitted to be performed after the end of the termination of this Lease; (b) any obligation not reasonably susceptible of performance prior to the termination of this Lease, including, but not limited to, any obligation or indemnity resulting from either party's default or misrepresentation; (c) any obligation or indemnity to be performed pursuant to this Lease at or before the end of the Term which is not so performed; and (d) any obligation that, pursuant to the terms and conditions of this Lease, expressly survives the expiration or termination of this Lease.

ARTICLE 27

ESTOPPEL CERTIFICATES

27.1 Landlord and Tenant agree that, at any time and from time to time during the Term, or any renewal or extension thereof, within fifteen (15) days after request by the other, Landlord or Tenant, as applicable, will execute, acknowledge and deliver to the other or to any prospective purchaser, assignee or mortgagee designated by the other, a certificate stating (a) that this Lease is unmodified and in force and effect (or if there have been modifications, that this Lease is in force and effect as modified, and identifying the modification agreements); (b) the date to which Rent has been paid; (c) whether or not there is any existing default by Tenant in the payment of any Rent or other sum of money hereunder, and whether or not there is any other existing default by either party hereto, and, if there is any such default, specifying the nature and extent thereof; (d) whether or not there are any setoffs, defenses or counterclaims against enforcement of the obligations to be performed hereunder existing in favor of the party executing such certificate; and (e) any other information relating to this Lease reasonably requested by the other.

ARTICLE 28

RENEWAL OPTION

28.1 Tenant will have the option of extending the initial Term for one (1) additional term (the "**Renewal Option**") of three (3) years (the "**Renewal Term**"). Tenant shall notify Landlord in writing of its intention to exercise the Renewal Option not later than three hundred sixty-five (365) days prior to expiration of the initial Term (the "**Renewal Notice Period**"). In the event that Tenant fails to give notice to Landlord of its intention to exercise the Renewal Option hereunder prior to the expiration of the Renewal Notice Period, the Renewal Option shall nevertheless remain in full force and effect for a period of thirty (30) days after receipt of written notice from Landlord, subsequent to the expiration of the Renewal Notice Period, advising Tenant that notice of renewal has not been received by Landlord. The terms and conditions for the Renewal Term will be as follows:

(a) The annual Base Rent for the Renewal Term shall be an amount equal to Six and 25/100 Dollars ($6.25) per rentable square foot of the Premises then being leased by Tenant as of the first (1^{st}) day of the Renewal Term.

(b) Notwithstanding the foregoing, Tenant shall also have the right to extend the Expiration Date of the initial Term and/or the Renewal Term, upon the then current terms and conditions, including the Rent then payable, for a period of up to one hundred eighty (180) days by delivering written notice thereof to Landlord no later than one hundred (180) days prior to the Expiration Date of the then current Term.

(c) Except as modified by this Section, all provisions of this Lease will be equally applicable during the Renewal Term.

ARTICLE 29

HOLD-OVER TENANCY

29.1 If Tenant remains in possession of the Premises, without written consent of Landlord, after the expiration of the Term, or any extension or renewal thereof, such holding over shall create a tenancy from month to month (the "**Holdover Period**"). Tenant shall pay Base Rent to Landlord during the Holdover Period as follows: (i) the applicable Base Rent of the final month prior to the Holdover Period (the "**Final Base Rent**") multiplied by one hundred ten percent (110%) during the first ninety (90) days of the Holdover Period, and (ii) the Final Base Rent multiplied by one hundred twenty-five percent (125%) during the period of time following the ninety-first (91st) day of the Holdover Period. Landlord and Tenant acknowledge and agree that (a) the increased Base Rent set forth herein (i) constitutes liquidated damages for Tenant's holding over, and (ii) is Landlord's sole and exclusive remedy for such holding over and (b) Landlord shall not be entitled to any further damages as a result of such holding over.

ARTICLE 30

PARKING

30.1 Throughout the entire Term, and any extension or renewal thereof, Landlord shall provide, free of charge, for use by Tenant and its permitted successors and assigns, and their employees, invitees, guests and licensees, access and exclusive use of parking spaces at the Building equal to eight (8) spaces per one thousand (1,000) rentable square feet leased hereunder, which exclusive parking spaces are shown on the Site Plan (the "**Exclusive Parking Spaces**") available to the tenants and occupants of Building and their respective permitted guests, licensees and enrolled students, and at all times Landlord shall maintain a parking ratio of eight (8) spaces per one thousand (1,000) rentable square feet of leased area within the Building and any other buildings now or in the future located on the Land (collectively, with the Exclusive Parking Spaces, the "**Parking Requirements**"). Access to and use of the parking area shall be available twenty-four (24) hours per day, three hundred sixty-five (365) days per year.

30.2 If the terms of Section 30.1 are violated (a "**Parking Violation**"), Tenant may notify Landlord in writing of such violation (a "**Parking Notice**"). Landlord shall use commercially reasonable efforts to remedy any Parking Violation. If Landlord fails to cure such Parking Violation within seven (7) days after delivery of the Parking Notice, Tenant may, in addition to any other remedy available to Tenant at law or in equity, elect, by giving written notice to Landlord, to cause the Rent payable pursuant to this Lease after the expiration of such seven (7) day period to be reduced by fifty percent (50%) of the amount provided for herein, and such reduction in Rent shall remain in effect for so long as such Parking Violation continues. If Landlord subsequently cures such Parking Violation, then Tenant's obligation to pay the full Rent shall be restored commencing with the first (1st) day of the calendar month after Landlord delivers to Tenant written notice of such cure.

30.3 Notwithstanding the foregoing, Landlord shall have the right to designate no more than twenty (20) parking spaces in the row of parking spaces directly in front of the premises occupied by the tenant currently doing business as Hobby Lobby (the "**Hobby Lobby Premises**") for use as short-term parking (no more than thirty (30) minutes) for Hobby Lobby's customers (the "**Short-Term Parking Spaces**"), which Short-Term Parking Spaces are depicted on the Site Plan. In the event that the Hobby Lobby Premises are no longer occupied by Hobby Lobby, this Section 30.3 shall be null and void and of no further force and effect.

ARTICLE 31

RIGHT TO RELINQUISH

31.1 Notwithstanding anything contained in this Lease to the contrary, within sixty (60) days following the expiration of the second (2^{nd}) Lease Year and upon and subject to the terms and conditions set forth in this Section, Tenant shall have the right, but not the obligation, to deliver up and surrender possession of up to nine thousand nine hundred twenty-one (9,921) rentable square feet of the Premises to Landlord (the "**Relinquished Premises**") by delivering one hundred eighty (180) days prior written notice to Landlord (the "**Relinquishment Option**"). In the event that Tenant exercises the Relinquishment Option within the sixty (60) day period set forth above, (i) an appropriate adjustment in the Base Rent and Additional Rent due for the remainder of the Term of this Lease, and any renewal or extension thereof, shall be made based upon the new rentable square footage of the Premises and (ii) this Lease shall be amended, effective as of the date Tenant surrenders possession of the Relinquished Premises to Landlord, to (a) reflect the new rentable square footage of the Premises, (b) state the amount of Base Rent and Additional Rent to be paid by Tenant throughout the remainder of the Term of this Lease, and any renewal or extension thereof, and (c) identify the location of the Relinquished Premises, which shall be in a location mutually acceptable to Landlord and Tenant acting in good faith. In the event Tenant fails to exercise the Relinquishment Option within the sixty (60) day period set forth above, the Relinquishment Option shall nevertheless remain in full force and effect for a period of thirty (30) days after receipt of written notice from Landlord advising Tenant that the Relinquishment Option has not been received by Landlord.

ARTICLE 32

RIGHT OF FIRST REFUSAL

32.1 Subject to the terms and conditions hereof, and provided that no event of default then exists under this Lease (beyond the expiration of applicable notice and cure periods), if Tenant shall have surrendered possession of the Relinquished Premises to Landlord pursuant to Article 31 above, and Landlord shall receive an offer (the "**Offer**") from an unrelated third party to lease all or any portion of the Relinquished Premises (the "**Offered Space**") during the first (1^{st}) seven hundred thirty (730) days following the date Tenant surrenders possession of the Relinquished Premises to Landlord, and the terms of such Offer shall be acceptable to Landlord, then Landlord shall provide notice to Tenant of the terms of the Offer and Tenant shall have ten (10) business days following receipt to notify Landlord that it shall lease the Offered Space or portion thereof identified in the Offer upon the same terms and conditions as the Offer (the "**Acceptance Period**"). In the event Tenant accepts the Offer, this Lease shall be amended to incorporate the terms of the Offer (except as modified pursuant to Section 32.2 below to reflect a Term coterminous with the Term of this Lease). If Tenant does not notify Landlord that it accepts the terms of the Offer within such ten (10) business day period, then Tenant shall be deemed to have waived its right of first refusal with respect to the portion of the Offered Space identified in the Offer until such space becomes available for lease again.

32.2 If Tenant timely elects to lease the Offered Space within the Acceptance Period (the "**Tenant Acceptance**"), then Landlord and Tenant shall execute an amendment to this Lease, effective as of the date the Offered Space is to be included in the Premises, on the same terms as this Lease, except that the Term of this Lease with respect to the Offered Space shall terminate on the termination date of this Lease, or any extension or renewal thereof, and any allowances or concessions offered the third-party prospect shall be prorated over the remaining

Term of the Lease (if shorter than the term of the third-party Offer), or increased (if the remaining Term of this Lease is longer than the term of the third-party Offer), as applicable. Notwithstanding anything contained herein to the contrary, if the Offer Notice is for less than all the Offered Space, and Tenant rejects the Offer Notice, then the right of first refusal shall continue for the remainder of the Offered Space, provided that Tenant's right of first refusal shall only remain in effect during the seven hundred thirty (730) day period referenced in Section 32.1 above.

32.3 If Tenant fails or is unable to timely exercise its right hereunder, then such right shall lapse, time being of the essence with respect to the exercise thereof, and Landlord may lease the portion of the Offered Space described in the Offer Notice to the third party on the terms contained in the Offer Notice.

32.4 If an Offer Notice that was rejected is for less than all of the Offered Space, then Landlord shall only be obligated to offer such remaining portion of the Offered Space to Tenant if an Offer is subsequently received for such remaining portion. In the event that the terms of the Offer Notice change materially, Landlord shall provide to Tenant a new Offer Notice with the changed terms and Tenant shall have the same rights as set forth above. Notwithstanding anything contained in this Lease to the contrary, in the event that Tenant exercises its right to lease a portion of the Offered Space from Landlord, Tenant shall continue to have a right of first refusal with respect to any remaining portion of the Offered Space pursuant to the terms and conditions of this Article 32, provided that Tenant's right of first refusal shall only remain in effect during the seven hundred thirty (730) day period referenced in Section 32.1 above.

ARTICLE 33

ROOF/AIR RIGHTS

33.1 Tenant shall be permitted to the nonexclusive use of the roof of the Building, free of charge, and subject to Landlord's approval, which approval will not be unreasonably withheld, conditioned or delayed, and in compliance with all Applicable Laws, for the placement of Tenant's equipment, including, but not limited to, vent shafts, HVAC units, fresh air exchanges, up to three (3) satellite dishes or antennae or similar uses (together with any related wires, conduits and other equipment necessary or desirable for the operation of any of the foregoing). Tenant shall pay all costs for installation, maintenance, repair and removal of same.

ARTICLE 34

GENERAL PROVISIONS

34.1 Merge. The parties agree that they have not made any commitment, statement, promise or agreement whatsoever, verbally or in writing, which is in conflict with the terms of this Lease, or which in any way modifies, varies, alters, enlarges or invalidates any of its provisions. This Lease, including the exhibits attached hereto, sets forth the entire understanding between the parties and may not be changed or amended except in writing.

34.2 Governing Law. This Lease will be construed in accordance with the laws of the State of Iowa.

34.3 Invalidity of Particular Provision. If any provision of this Lease or application of it to any persons or circumstances is, to any extent, held to be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, will not be affected, and that provision of this Lease will be valid and enforced to the fullest extent permitted by law.

34.4 Reasonableness. Except as expressly provided elsewhere in this Lease, whenever Landlord's or Tenant's consent, approval or agreement is required under this Lease, the parties agree to act reasonably and in good faith. Except as expressly provided elsewhere in this Lease, if the party for whose consent is being requested does not respond within fifteen (15) days after receipt of written request for such consent, consent shall be deemed given. Any disapproval granted hereunder shall be accompanied with a reasonable explanation indicating the grounds for such disapproval.

34.5 Broker. Landlord and Tenant represent and warrant one to the other that they have not had any dealings with any real estate broker, salesperson, firm, finder or similar agent in connection with the negotiation of this Lease, except for Fischer & Company (**"Broker"**). Landlord covenants and agrees to pay Broker's commission in accordance with a separate agreement executed by and between Landlord and Broker and, further, agrees to indemnify and hold Tenant harmless from and against any and all claims and demands made by Broker. In addition, Landlord hereby agrees to indemnify and hold Tenant harmless from and against any and all liability and cost which Tenant may suffer in connection with any other real estate brokers, salespersons, finders, firms or other party claiming by, through, or under Landlord, seeking any commission, fee or payment in connection with this Lease. Tenant hereby agrees to indemnify and hold Landlord harmless from and against any and all liability and cost which Landlord may suffer in connection with any real estate brokers, salespersons, finders, firms or other party claiming by, through or under Tenant seeking any commission, fee or payment in connection with this Lease. The provisions of this Section shall survive the termination of this Lease.

34.6 Memorandum of Lease. Landlord agrees to execute a Memorandum of Lease in form and content attached hereto as Exhibit "F" evidencing Tenant's rights under this Lease and/or Tenant's use of the Premises.

34.7 Successors and Assigns. This Lease shall be binding upon and shall inure to the benefit of the parties, their respective successors and assigns.

34.8 Waiver. The failure or delay on the part of either party to enforce or exercise at any time any of the provisions, rights or remedies in this Lease shall in no way be construed to be a waiver thereof, nor in any way to affect the validity of this Lease or any part hereof, or the right of the party to thereafter enforce each and every such provision, right or remedy.

34.9 Landlord's Representations. Except as otherwise provided in this Lease, Landlord represents, warrants and covenants that the Building is, and will be throughout the

Term of this Lease, and any extension or renewal thereof, in compliance with all Applicable Laws, unless such violation arises solely from Tenant's use or occupancy of the Premises.

34.10 Waiver of Landlord's Lien. Landlord agrees and acknowledges that all of Tenant's personal property ("**Personal Property**") which may be installed or placed in or upon the Premises by or on behalf of Tenant shall remain the property of Tenant. Tenant may assign, hypothecate, encumber, mortgage or create a security interest in or upon Tenant's Personal Property in the Premises without the consent of Landlord and may remove Tenant's Personal Property at any time during the Term, and any extension or renewal thereof. Landlord waives any right it may have in Tenant's Personal Property. To the extent Landlord may have a lien on or security interest in Tenant's Personal Property pursuant to this Lease, by law or otherwise, Landlord hereby waives, and agrees not to assert, such lien or security interest. Landlord shall provide to Tenant, within ten (10) days after Tenant's request therefor, a written waiver in a form reasonably satisfactory to Tenant and Tenant's lender evidencing Landlord's waiver of any rights it has or may have in Tenant's Personal Property.

34.11 Waiver of Jury Trial. LANDLORD AND TENANT HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS LEASE OR THE OBLIGATIONS EVIDENCED HEREBY, OR ANY OTHER DOCUMENT OR INSTRUMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT TO EACH OF LANDLORD AND TENANT IN ENTERING INTO THIS LEASE.

34.12 Damages. In no event shall Tenant be liable or responsible for any consequential, incidental or special damages under this Lease.

34.13 Cable License. Landlord hereby grants to Tenant, during the term of this Lease, and any extension or renewal thereof, a license to install, access, maintain, replace, repair, and remove, on a twenty-four (24) hour a day, three hundred sixty-five (365) days a year basis, Tenant's cable (including coaxial and fiber) and communications wiring and related equipment (collectively, the "**Cable**") in, over, across and through the Property and the Building to the Premises, in the manner and location to be specified in Tenant's plans and specifications provided by Tenant to Landlord from time to time. Tenant may also from time to time, reconfigure and/or relocate the Cable, subject to Landlord's consent, which consent shall not be unreasonably withheld, conditioned, or delayed. Notwithstanding any provision to the contrary in this Lease, Landlord acknowledges and agrees that Tenant may directly install and maintain the Cable or may in Tenant's sole discretion, designate a third party to do so. All work for the installation and maintenance of the Cable shall be performed at Tenant's sole cost and expense. Notwithstanding anything contained in this Lease to the contrary, Tenant shall not be required to remove the Cable from the Building and/or the Premises upon the expiration or earlier termination of this Lease; provided, however, that Tenant shall have the right, but not the obligation, to terminate, cap and label the Cable upon the expiration or earlier termination of this Lease.

34.14 Prohibited Persons and Transactions. Landlord and Tenant represent and warrant to each other that each of them is currently in compliance with and shall at all times during the

Term, and any extension or renewal thereof, remain in compliance with the regulations of the Office of Foreign Asset Control ("**OFAC**") of the Department of Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) and any statute, executive order (including the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto. Neither Landlord nor Tenant will knowingly employ or subcontract with any person who is a Specially Designated National ("**SDN**") as defined in the OFAC regulations, and to the best of each party's current actual knowledge, such party is not an SDN.

34.15 Counterparts. This Lease may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, taken together, shall be deemed to be one and the same instrument.

34.16 Tenant's Name. Landlord and/or its agents, employees or brokers shall not use or imply Tenant's name or logo in any publication or publicity release without Tenant's prior written approval, which may be withheld in Tenant's sole discretion. Further, Landlord hereby agrees that it shall not place the name of Tenant on any sign or other form of advertising or marketing pertaining to the Building without Tenant's approval, which may be withheld in Tenant's sole discretion, and that no such sign, advertising or marketing with respect to the reletting of the Premises or otherwise shall imply that Tenant is closing its school or otherwise going out of business.

34.17 Landlord Bankruptcy. In the event an order for bankruptcy relief is entered in favor of or against Landlord under the provisions of the Bankruptcy Code, 11 U.S.C. §101 et seq. (the "**Code**"), the parties hereto intend the provisions of this Section to further clarify their mutual rights and obligations during the pendency of a bankruptcy proceeding. Rejection of this Lease by Landlord or any trustee of Landlord pursuant to Section 365(h) of the Code shall not terminate this Lease, unless Tenant elects, pursuant to Section 365(h)(1)(A) of the Code, to treat this Lease as terminated. If this Lease shall not be treated as terminated under Section 365(h)(1)(A) of the Code, it shall continue in full force and effect in accordance with its terms, except that (i) Landlord shall have no obligation to perform any of the covenants on its part to be performed hereunder and (ii) Tenant shall have the rights conferred under Section 365(h)(1)(B) of the Code. In the event of a rejection of this Lease by the trustee and the election under Section 365(h) of the Code by Tenant to retain its rights under this Lease, the rights and remedies of the parties will continue to be governed by the terms of this Lease. Tenant shall have all of the rights of a tenant under applicable state law and the parties shall submit to the jurisdiction of the state courts for determination of these rights after the closing of Landlord's bankruptcy case.

The parties hereto hereby agree that the provisions of this Lease pertaining to Tenant's renewal rights, any expansion rights and all other rights expressly set forth in this Lease shall be deemed to be rights that are appurtenant to the Premises as the real property pursuant to Section 365(h) of the Code and that Tenant may retain such rights in the event of a rejection of this Lease by the trustee and Tenant's election to retain its rights hereunder. If, at the time of such rejection, the rights of Tenant under this Lease have been pledged, hypothecated or otherwise subject to any mortgage, deed of trust or other security instrument, and this Lease shall not be treated as terminated under Section 365(h)(1)(A) of the Code, such mortgage, deed of trust or other security instrument shall not be affected or impaired by the rejection of this Lease.

If Tenant shall reduce the amount of any installment of Rent hereunder by the amount of any offset taken by Tenant pursuant to Section 365(h)(1)(B) of the Code, Tenant shall, on the date on which such installment of Rent shall have become due hereunder, deliver to Landlord a notice setting forth the amount of the offset, the reason or reasons for such offset and an itemization in reasonable detail of the damages suffered and costs incurred by Tenant arising from the nonperformance by Landlord of the covenant in this Lease which gave rise to such right of offset under Section 365(h)(1)(B) of the Code. Landlord shall be deemed to have irrevocably accepted such offset unless, within ten (10) days after Tenant shall have given the notice provided for in the preceding sentence, Landlord shall give notice to Tenant (a) that it disputes the amount of the offset, (b) setting forth the reasons for such dispute and (c) setting forth the amount, if any, which Landlord proposes to accept as a proper offset. If Tenant fails to pay Landlord, within ten (10) days after Landlord gives notice as provided in the preceding sentence, an amount equal to the difference between the amount offset by Tenant and the amount proposed by Landlord as a proper offset, or if Landlord shall not have proposed such an amount, the entire amount so offset, Landlord may commence a proceeding in the United States Bankruptcy Court in which Landlord's case under the Code is then pending, or if such case has been closed, in any court of competent jurisdiction in the State of Iowa, to determine the amount, if any, which Tenant was and shall be entitled to offset pursuant to Section 365(h)(1)(B) of the Code. If within ten (10) days after the entry by such court of a final and non-appealable order or judgment declaring that Tenant is required to pay to Landlord any amounts theretofore offset, Tenant shall have failed to pay such amounts to Landlord, Landlord shall have all of the rights and remedies available to it under this Lease or otherwise at law in respect of a default in the payment of Rent hereunder.

In the event Tenant elects to terminate this Lease after a rejection by Landlord or Landlord's trustee, Tenant shall have a claim for damages in the amount arising from the rejection which shall include, but not be limited to, the costs of the Tenant Improvements and Tenant's Alterations. A sale of Landlord's assets conducted by Landlord pursuant to the Code shall not modify, diminish or otherwise alter the rights of Tenant provided under Section 365(h) of the Code.

34.18 Force Majeure. Whenever a period of time is herein prescribed for action to be taken by either party hereto, such party shall not be responsible for, and there shall be excluded from the computation for any such period of time, delays by reason of (i) strike, (ii) labor problems, (iii) government pre-emption in connection with a national emergency, (iv) any rule, order or regulation of any governmental agency, (v) conditions of supply or demand which are affected by war or other national, state or municipal emergency, or any other cause, and/or (vi) any cause beyond such party's reasonable control, including unexpected inclement weather for the geographical area in which the Property is located, except that the foregoing shall not be applicable to the maintenance of any insurance required hereunder or the timely payment of Rent by Tenant under the provisions of this Lease when Rent is otherwise payable pursuant to the terms, conditions and requirements of this Lease.

34.19 Guaranty. Simultaneously with the execution of this Lease, Education Management LLC, a Delaware limited liability company ("Guarantor"), shall execute a Lease Guaranty ("Guaranty") on behalf of Tenant for the benefit of Landlord in form and substance substantially similar to Exhibit "G".

34.20 Contingency. Notwithstanding anything contained in this Lease to the contrary, Landlord and Tenant acknowledge and agree that this Lease is expressly contingent upon the approval of Tenant's Board of Directors and that if such Board of Directors do not approve this Lease, then this Lease shall be automatically null and void and of no further force and effect.

34.21 Master Lease. Landlord represents to Tenant that Landlord is leasing the Land and all improvements therein, including the Building, from the fee simple owner of the Land identified in the Master Lease. To the extent there is any inconsistency between the terms of this Lease and the Master Lease, this Lease shall control.

34.22 Exculpatory Clause. Notwithstanding anything contained in this Lease to the contrary, it is specifically understood and agreed, such agreement being a primary consideration for the execution of this Lease by Landlord, that if Landlord shall fail to perform any covenant, term or condition of this Lease upon Landlord's part to be performed and, as a consequence of such default, Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only against the right, title, and interest of Landlord in and to the Property, including, without limitation, insurance proceeds, condemnation proceeds, or proceeds from the sale of the Property, and neither Landlord, nor any of its members, shall be liable for any deficiency. It is understood that in no event shall Tenant have any right to levy execution against any other property of Landlord other than its interest in the Property as hereinbefore expressly provided.

34.23 Exhibits. The following Exhibits are attached to this Lease and incorporated herein by reference:

Exhibit "A" -	Legal Description of Land
Exhibit "B" -	Site Plan
Exhibit "C" -	Work Letter
Exhibit "D" -	[Intentionally Deleted]
Exhibit "E" -	Signage
Exhibit "F" -	Memorandum of Lease
Exhibit "G" -	Guaranty
Exhibit "H" -	Zoning Letter
Exhibit "I" -	Permitted Title Exceptions
Exhibit "J" -	Recognition Agreement

[REMAINDER OF PAGE INTENTIONALLY BLANK]

The parties hereto have caused this Lease to be executed as of the day and year first above written.

WITNESSES:

SAMUEL MILLER

BENNETT MILLER

LANDLORD:

JOSEPH R. MILLER KIMBERLY ROAD TRUST, LLC
an Iowa limited liability company

By: ______________________
Joseph R. Miller (Print Name)
Its: Manager

WITNESSES:

Patty Wilson

Morgan Wilson

TENANT:

AMERICAN EDUCATION CENTERS, INC.
a Delaware corporation

By: ______________________
Scott Smith
Its: Vice President, Corporate Real Estate

Acknowledgment of Tenant

Commonwealth
STATE OF Pennsylvania)
) SS:
COUNTY OF Allegheny)

Personally appeared before me, a Notary Public in and for the above County and State, Scott Smith, known personally by me and acknowledged by me to be on the date of execution, the Vice President, Corporate Real Estate, of **AMERICAN EDUCATION CENTERS, INC.**, a Delaware corporation, and he executed the foregoing for and on behalf of said corporation being thereunto duly authorized.

Witnessed by hand and this notarial seal this 19th day of November, 2009.

Notary: Fran Zvonar

Print Name: FRAN ZVONAR

Notary Public, State of PA

My Commission expires: August 31, 2011

[NOTARIAL SEAL]

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Fran Zvonar, Notary Public
Hampton Twp., Allegheny County
My Commission Expires Aug. 31, 2011
Member, Pennsylvania Association of Notaries

Acknowledgment of Landlord

STATE OF Illinois)
) SS:
COUNTY OF Cook)

Personally appeared before me, a Notary Public in and for the above County and State, Joseph R. Miller, known personally by me and acknowledged by me to be on the date of execution, Manager of **JOSEPH R. MILLER KIMBERLY ROAD TRUST, LLC**, and he/she executed the foregoing for and on behalf of said limited liability company being thereunto duly authorized.

Witnessed by hand and this notarial seal this 21st day of November, 2009.

Notary: Therese S. Wrobel

Print Name: THERESE S. WROBEL

Notary Public, State of Illinois

My Commission expires: 6/2/2013

[NOTARIAL SEAL]

OFFICIAL SEAL
THERESE S. WROBEL
Notary Public - State of Illinois
My Commission Expires Jun 02, 2013

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "**Amendment**") dated this 1ST day of JUNE, 2012 ("**Effective Date**"), by and between **JOSEPH R. MILLER KIMBERLY ROAD TRUST, LLC**, an Iowa limited liability company ("**Landlord**"), and **AMERICAN EDUCATION CENTERS, INC.**, a Delaware corporation (d/b/a Brown Mackie College – Quad Cities) ("**Tenant**").

WITNESSETH:

WHEREAS, pursuant to the terms of that certain Lease dated September 30, 1971, by and between Joan P. Siefers, individually and as Trustee of the Joseph P. Siefers Disclaimer Trust U/W/O Joseph P. Siefers, Mary M. Briegel, Trustee of the Mary M. Briegel Revocable Trust dated August 30, 2004, and Kimberly Road LLC, an Iowa limited liability company (the "**Master Landlords**"), as successors-in-interest to Joseph P. Siefers, Joan P. Siefers, Mary M. Briegel, Trustee of the Mary M. Briegel Revocable Trust dated August 30, 2004 and Lucille Siefers, successors-in-interest to Margaret Siefers, Joseph P. Siefers, Gregory W. Siefers and Elmer Siefers, as landlord, and Landlord, as successor-in-interest to Joseph R. Miller, as Trustee of the Joseph R. Miller Living Trust, successor-in-interest to Joseph R. Miller, successor-in-interest to Hanover Bettendorf, Inc., an Illinois corporation, as tenant, which lease is evidenced by a Memorandum of Lease, dated September 30, 1971, and recorded June 16, 1972, as Document No. 8093-72, and which lease is amended by that certain Amendment of Lease effective September 4, 2008 and that certain Agreement of Revocation, Rescission and Termination effective as of September 4, 2008 (collectively, the "**Master Lease**"), Master Landlords leased to Landlord the land legally described in Exhibit A to the Master Lease, which land contains a building containing approximately ninety-four thousand five hundred (94,500) rentable square feet (the "**Building**") and certain other improvements, having a mailing address of 2119 East Kimberly Road in the City of Bettendorf, County of Scott, State of Iowa (the land, the building and the improvements together with all easements, rights, licenses and privileges appurtenant thereto are hereinafter collectively referred to as the "**Property**"); and

WHEREAS, pursuant to that certain Lease Agreement dated November 21, 2009 (the "**Lease**"), Landlord, as sub-landlord, has leased to Tenant, as subtenant, approximately twenty-nine thousand nine hundred twenty-one (29,921) rentable square feet in the Building (the "**Leased Premises**"); and

WHEREAS, pursuant to Article 31 of the Lease, Tenant exercised the Relinquishment Option by delivering written notice thereof to Landlord by letter dated April 30, 2012, which letter was countersigned by Landlord on May 3, 2012 (the "**Relinquishment Notice**"); and

WHEREAS, subsequent to Tenant's delivery of the Relinquishment Notice to Landlord, Landlord and Tenant reached agreement on certain revised Base Rent terms for the Leased Premises; and

WHEREAS, Tenant and Landlord desire to rescind the Relinquishment Option, and modify the Base Rent under the Lease as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Lease is hereby amended as follows:

1. The foregoing recitals are incorporated herein by reference. Capitalized and defined terms used in this Amendment shall have the same meanings as those ascribed to them in the Lease, unless the context clearly requires otherwise. In the event that the terms of this Amendment conflict with the terms of the Lease, the terms of this Amendment shall control.

2. Tenant hereby rescinds the Relinquishment Notice and its exercise of the Relinquishment Option, Landlord hereby consents to the rescission of the Relinquishment Option, and the parties agree that as of the Effective Date of this Amendment, the Relinquishment Notice shall be of no further force and effect.

3. Landlord hereby acknowledges that it has not received an Offer for the Offered Space, as such terms are defined in Article 32 of the Lease.

4. Landlord and Tenant hereby agree that the first (1st) paragraph of Section 2.1 of the Lease is hereby deleted in its entirety and replaced with the following:

> 2.1 Commencing on the Commencement Date, and continuing on the fifth (5th) day of each calendar month during the Term, and any extension or renewal thereof, Tenant shall pay to Landlord base rent ("**Base Rent**"), without any setoff or deduction whatsoever, except as provided elsewhere in this Lease. Base Rent for the Premises shall be payable in the following amounts:

Lease Years	Base Rent	Monthly Base Rent	Annual Base Rent
1 - 2	$2.00	$4,986.83	$59,842.00
3 - 5	$2.00 on 5,000 square feet $5.25 on 24,921 square feet	$11,736.27	$140,835.25
6 - 10	$5.75	$14,337.15	$172,045.75

5. Except as hereinbefore set forth, all terms, provisions and conditions contained in the Lease shall remain in full force and effect during the remainder of the term of the Lease and any renewal or extension thereof.

[Remainder of page intentionally left blank; signature pages follow.]

IN WITNESS WHEREOF, the parties have caused this First Amendment to Lease Agreement to be executed as of the date first above written.

WITNESSES:

____

____

LANDLORD:

JOSEPH R. MILLER KIMBERLY ROAD TRUST, LLC, an Iowa limited liability company

By: ______________________________
Name: J~~oseph R. Miller~~ SAMUEL A. MILLER SAM
Its: Manager

STATE OF ____________)
) SS:
COUNTY OF ___________)

SAM SAMUEL A.
BEFORE ME, a Notary Public in and for said County and State, personally appeared ~~Joseph R~~. Miller, known to me to be the manager of the **JOSEPH R. MILLER KIMBERLY ROAD TRUST, LLC**, the Iowa limited liability company that executed the foregoing instrument, who acknowledged that he did sign the foregoing instrument for and on behalf of said limited liability company being thereunto duly authorized and that the same is his free act and deed and the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal at ______________, ______ this ____ day of __________, 2012.

My commission expires:_______________ ______________________________
Notary Public

See attachment notary page

WITNESSES:

Katie McCabe

Katie McCabe

Rodger Riehl

RODGER RIEHL

TENANT:

AMERICAN EDUCATION CENTERS, INC., a Delaware corporation

By: A. Dana Garcia
Name: A. Dana Garcia
Its: Vice President, Corporate Real Estate

Commonwealth ~~STATE~~ OF Pennsylvania
) SS:
COUNTY OF Allegheny)

BEFORE ME, a Notary Public in and for said County and State, personally appeared A. Dana Garcia, known to me to be the Vice President, Corporate Real Estate of **AMERICAN EDUCATION CENTERS, INC.**, the Delaware corporation that executed the foregoing instrument, who acknowledged that he did sign the foregoing instrument for and on behalf of said corporation being thereunto duly authorized and that the same is his free act and deed and the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal at Pittsburgh City, Allegheny County this 12 day of June, 2012.

My commission expires: Feb 9, 2014

Patricia Wilson
Notary Public

NOTARIAL SEAL
PATRICIA WILSON
Notary Public
PITTSBURGH CITY, ALLEGHENY COUNTY
My Commission Expires Feb 9, 2014

Joinder of Guarantor:
The undersigned hereby joins in and consents to the terms of the foregoing Amendment.

EDUCATION MANAGEMENT LLC, a
Delaware limited liability company

By: ______________________________
Name: A. Dana Garcia
Its: Vice President, Corporate Real Estate

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Riverside

On June 01, 2012 (Date) before me, Anna Carbajal, public notary (Here Insert Name and Title of the Officer),

personally appeared samuel A miller (Name(s) of Signer(s))

who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity~~(ies)~~, and that by his/~~her/their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

ANNA CARBAJAL
Commission # 1920573
Notary Public - California
Riverside County
My Comm. Expires Jan 6, 2015

Place Notary Seal Above

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [signature] (Signature of Notary Public)

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: First Amendment to Lease Agreement

Document Date: June 01, 2012 Number of Pages: five

Signer(s) Other Than Named Above: — none —

Capacity(ies) Claimed by Signer(s)

Signer's Name: ____
- ☐ Individual
- ☐ Corporate Officer — Title(s): ____
- ☐ Partner — ☐ Limited ☐ General
- ☐ Attorney in Fact
- ☐ Trustee
- ☐ Guardian or Conservator
- ☐ Other: ____

Signer Is Representing: ____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: ____
- ☐ Individual
- ☐ Corporate Officer — Title(s): ____
- ☐ Partner — ☐ Limited ☐ General
- ☐ Attorney in Fact
- ☐ Trustee
- ☐ Guardian or Conservator
- ☐ Other: ____

Signer Is Representing: ____

RIGHT THUMBPRINT OF SIGNER
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BROWN MACKIE COLLEGE

Personal Attention, Professional Growth

I hereby certify the information appearing on this application for Licensure renewal to be true and accurate. I have read and understand the rules of the Iowa Postsecondary Registration Iowa Code Chapter 261B and have committed to the delivery of programs located in Iowa and agree to provide alternatives for students to complete programs at other institutions if Brown Mackie College closes a program before students have completed their course of study.

D Thibodeaux

Deb Thibodeaux
Interim Campus President

625 EDEN PARK DRIVE - SUITE 1100, CINCINNATI, OH 45202 phone 513 830 2000 fax 513.381.3347

Brown Mackie College

Brown Mackie College – Central Services
625 Eden Park Drive, Suite 1100
Cincinnati, OH 45202
Contact: Guy Bell, President Brown Mackie College
Phone: 513-830-2000
Fax: 513-381-3347

Brown Mackie College — Akron
755 White Pond Drive, Ste. 101
Akron, OH 44320
Contact: Kim Ames, Campus President
Phone: 330-869-3600
Fax: 330-869-3650

Brown Mackie College – Akron Learning Site
3888 S. Main Street, Ste, 330
Contact: Kim Ames, Campus President
Phone: 330-869-3600
Fax: 330-869-3650

Brown Mackie College — Albuquerque
10500 Copper Avenue, NE
Albuquerque, NM 87123
Contact: Eric Rudie, Campus President
Phone: 505-559-5200
Fax: 505-559-5222

Brown Mackie College — Atlanta
4370 Peachtree Road, NE
Atlanta, GA 30319
Contact: Reggie Morton, Campus President
Phone: 404-799-4500
Fax: 440-799-4522

Brown Mackie College — Birmingham
105 Vulcan Road, Ste. 400
Birmingham, AL 35209
Contact: Roger Rocha, Campus President
Phone: 205-909-1500
Fax: 205-909-1558

Brown Mackie College — Boise
9050 W. Overland Road, Ste. 101
Boise, ID 83709
Contact: Debbie Jones, Campus President

Phone: 208-321-8800
Fax: 208-375-3249
Brown Mackie College — Cincinnati
1011 Glendale-Milford Road
Cincinnati, OH 45215
Contact: Robin Krout, Campus President
Phone: 513-771-2424
Fax: 513-771-3413

Brown Mackie College – Cincinnati Learning Site
4805 Montgomery Road
Norwood, OH 45212
Contact: Robin Krout, Campus President
Phone: 513-572-1575
Fax: 513-631-1920

Brown Mackie College — Dallas / Ft. Worth
2200 North Highway 121, Ste. 270
Bedford, TX 76021
Contact: Tod Gibbs, Campus President
Phone: 817-799-0500
Fax: 817-799-0515

Brown Mackie College — Findlay
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Findlay, OH 45840
Contact: Wayne Korpics, Campus President
Phone: 419-423-2211
Fax: 419-423-0725

Brown Mackie College — Fort Wayne
3000 East Coliseum Boulevard, Ste. 100
Fort Wayne, IN 46805
Contact: Jim Bishop, Campus President
Phone: 260-484-4400
Fax: 260-484-2678

Brown Mackie College — Greenville
Two Liberty Square
75 Beattie Place, Ste. 100
Greenville, SC 29601
Contact: Karen Burgess, Campus President
Phone: 864-239-5301
Fax: 864-232-4094

Brown Mackie College — Hopkinsville
4001 Ft. Campbell Boulevard
Hopkinsville, KY 42240
Contact: Elaine Cue, Campus President

Phone: 270-886-1302
Fax: 270-886-3544

Brown Mackie College — Indianapolis
1200 N. Meridian Street, Ste 100
Indianapolis, IN 46204
Contact: Sherry Jones, Campus President
Phone: 317-554-8300
Fax: 317-632-4557

Brown Mackie College — Kansas City
9705 Lenexa Drive
Lenexa, KS 66215
Contact: Jamie Carpenter, Campus President
Phone: 913-768-1900
Fax: 913-495-9555

Brown Mackie College — Louisville
3605 Fern Valley Road
Louisville, KY 40219
Contact: Mike Fontaine, Campus Presidents
Phone: 502-810-6000
Fax: 502-357-9956

Brown Mackie College — Merrillville
1000 East 80th Place, Ste 205M
Merrillville, IN 46410
Contact: James Kapitan, Campus President
Phone: 219-76-3321
Fax: 219-738-1076

Brown Mackie College — Miami
3700 Lakeside Drive
Miramar, FL, 33027-3264
Contact: Julia Denniston, Campus President
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Fax: 305-373-8814

Brown Mackie College — Michigan City
1001 East US Highway 20
Michigan City, IN, 46360
Contact: Sheryl Elston, Campus President
Phone: 219-877-3100
Fax: 219-877-3110

Brown Mackie College — North Canton
4300 Munson St NW
Canton, OH, 44718-3674

Contact: Peter Perkowski, Campus President
Phone: 330-494-1214
Fax: 330-494-8112

Brown Mackie College — Northern Kentucky
309 Buttermilk Pike
Fort Mitchell, KY 41017
Contact: Christine Knouff, Campus President
Phone: 859-341-5627
Fax: 859-341-6483

Brown Mackie College — Oklahoma City
7101 NW Expressway, Suite 800
Oklahoma City, OK 73132
Contact: John Fogarty, Campus President
Phone: 405-621-8000
Fax: 405-621-8055

Brown Mackie College — Phoenix
13430 No. Black Canyon Hwy, Suite 190
Phoenix, AZ 85029
Contact: Connie Sharp, Campus President
Phone: 602-337-3044
Fax: 602-375-2450

Brown Mackie College – Quad Cities
2119 E. Kimberly Road
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Contact: Deb Thibodeaux, Interim Campus President
Phone: 563-344-1500
Fax: 563-344-1501

Brown Mackie College — Salina
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Salina, KS, 67401
Contact: Judy Holmes, Campus President
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Fax: 785-827-7623

Brown Mackie College — San Antonio
4715 Fredericksburgh Road, Ste 520
San Antonio, TX 78229
Contact: Robert Pope, Campus President
Phone: 210-428-2212
Fax: 210-428-2265

Brown Mackie College — South Bend

3454 Douglas Road
South Bend, IN 46635
Contact: Michael Heck, Campus President
Phone: 574-237-0774
Fax: 574-237-3585

Brown Mackie College — St. Louis
#2 Soccer Park Road
Fenton, MO 63026
Contact: Terri Leap, Campus President
Phone: 636-651-3290
Fax: 636-651-3349

Brown Mackie College — Tucson
4585 E. Speedway Boulevard
Tucson, AZ 85712
Contact: Tim Bush, Campus President
Phone: 520-319-3300
Fax: 520-325-0108

Brown Mackie College — Tulsa
4608 S. Garnett Road, Ste. 110
Tulsa, OK 74146
Contact: John Pappas, Campus President
Phone: 918-628-3700
Fax: 918-828-9083

Attachment 11 – Policies

Complaint Procedure

Students who feel they have been harassed should follow the Student Grievance Procedure for Internal Complaints of Harassment and Discrimination (the "Student Grievance Procedure"). Students who have been subjected to sexual violence should also review the **Policy Concerning Sexual Violence** and **Programs and Procedures Regarding Sexual Assault** (available in the Student Affairs Office). Regardless if a complaint is filed under the Student Grievance Procedure, promptly after learning of such alleged conduct, Brown Mackie College — Quad Cities will conduct an investigation for the purpose of determining whether prohibited harassment has occurred. Efforts will be made to ensure confidentiality to the extent consistent with the goal of conducting an appropriate investigation. Students who initiate or participate in such investigations in good faith will be protected against subsequent harassment and school-related retaliation. If an investigation confirms the allegations, Brown Mackie College — Quad Cities will take prompt corrective action, which may include discipline, up to and including immediate dismissal.

General Complaint and Resolution Process

In order to provide an effective and equitable means of resolving student complaints, a process is available to any student who believes that the College decision, action, or policy has unfairly and adversely affected his or her status, rights, or privileges as a student. In most cases, a complaint can be resolved at the College level. Faculty and staff are available to guide students in completing their programs, and students must be aware of those resources to whom issues and concerns should be addressed. These are as follows:

Faculty	Resolution of academic concerns pertaining to individual courses (as grades, assignments, attendance, etc.
Department Chair/ Program Administrator	Unresolved academic issues pertaining to the student's program (as program objectives, curriculum, graduation requirements, licensure examinations, faculty, etc.)
Academic Affairs Office	Unresolved issues pertaining to faculty, curriculum, grades, attendance, change of program, transfer of credit, graduation requirements, withdrawal, and personal issues which may impact the student's education
Office of the Registrar	Resolution of issues involving course scheduling and obtaining transcripts
Student Financial Services Office	Resolution of issues involving loans, grants, deferments, verification, federal funding, and consequences of withdrawal
Student Accounting Office	Resolution of issues involving the status of the student's account and issues of billing (as monthly payments, book returns, financial arrangements, fees, etc.)
Office of Career Services	Full-time and part-time employment assistance, employment correspondence, and related employment services
College President	Resolution of an issue in any area above which remain unresolved by the employee to whom the issue has been properly addressed
Group Vice President	Resolution of issue unresolved through the campus's complaint and resolution process.

However, a student who believes that his or her complaint remains unsatisfactorily resolved by the College may refer the complaint to the appropriate office as follows:

Iowa College Student Aid Commission (ICSAC)
200 10th Street, 4th Floor,
Des Moines, IA 50309-3609
1-877-272-4456

Accrediting Council for Independent Colleges and Schools
750 First Street, NE, Suite 980
Washington, DC 20002-4241
202-336-6780

Attachment 12 – Certificate of Approval

IOWA SECRETARY OF STATE
MATT SCHULTZ

CERTIFICATE OF AUTHORIZATION

Date: 6/11/2013

Name: AMERICAN EDUCATION CENTERS, INC. (490 FP - 381756)
Authorized Date: 6/4/2009
Duration: PERPETUAL
State of Incorporation: DELAWARE

I, Matt Schultz, Secretary of State of the State of Iowa, custodian of the records of incorporations, certify the following for the corporation named on this certificate:

a. The entity is authorized to transact business in Iowa.

b. All fees required under the Iowa Business Corporation Act due the Secretary of State have been paid.

c. The most recent biennial report required has been filed with the Secretary of State.

Certificate ID: **CS81053**

To validate certificates visit:
sos.iowa.gov/ValidateCertificate

Matt Schultz, Iowa Secretary of State

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "AMERICAN EDUCATION CENTERS, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE THIRTEENTH DAY OF JUNE, A.D. 2013.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "AMERICAN EDUCATION CENTERS, INC." WAS INCORPORATED ON THE SECOND DAY OF JUNE, A.D. 1993.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

SECRETARY OF STATE
1776 DELAWARE 1970

Jeffrey W Bullock, Secretary of State

2339173 8300

AUTHENTICATION: 0508405

130770761

DATE: 06-13-13

You may verify this certificate online
at corp.delaware.gov/authver.shtml