



City Attorney Dennis Herrera News Release

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Herrera reaches \$4.4 million agreement in dispute over for-profit college's marketing

California Art Institutes' ownership to settle for \$1.95 million; fund returning student and new student scholarships; and re-calculate graduation and job placement rates

SAN FRANCISCO (June 17, 2014)—City Attorney Dennis Herrera today settled an unlitigated claim against California Art Institutes' parent company in a consumer protection dispute over marketing tactics that allegedly underestimated program costs for students and inflated job placement figures for graduates.

Under terms of the agreement with Educational Management Corporation, the Pittsburgh-based for-profit educational provider will pay San Francisco \$1.95 million to settle the dispute; endow a \$1.6 million scholarship fund for non-graduating California Art Institute students who wish to return to finish their studies; and offer \$850,000 in general scholarships to new students. The agreement—formally an “Assurance of Voluntary Compliance” that is legally binding and enforceable in court—includes provisions for a sweeping array of reforms to Educational Management Corporation's marketing and reporting practices. The accord, which avoids litigation, includes no admissions of wrongdoing.

“I hope this agreement is a bellwether for other for-profit colleges, highlighting the need to fully inform students about their education costs and job placement prospects,” said Herrera. “In a workplace where so much depends on education and training, students deserve accurate information about the schools they attend—and that's exactly what California law requires. I applaud Educational Management Corporation for its industry leadership in working with us cooperatively and productively. They've shown a commendable willingness to address concerns about their current and former students, and to avoid similar problems moving forward.”

The \$1.6 million Returning Student Scholarship Fund will be distributed to students who withdrew from California Art Institute programs between 2009 and today, and will be available to returning

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students for five years or until it is exhausted. EDMC and the City Attorney's Office will work together to publicize the fund to reach out to eligible former students. EDMC has also agreed to new methods of calculating the percentage of enrolling students that graduate with degrees, and the percentages of students that are employed and that are employed within their field of study; and to publicize those recalculated figures in their promotional materials. The school also agreed to train advisors to counsel students on the long term effects of student loan debt and default.

As is common with Assurances of Voluntary Compliance reached outside of litigation, the agreement also includes enforcement provisions that compel EDMC to notify the City Attorney of any breaches of the agreement on its part, and a stipulation that a material violation by EDMC will be considered evidence of an unfair business practice that the City could make the subject of a future lawsuit.

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Assurance of Voluntary Compliance

I. INTRODUCTORY TERMS AND DEFINITIONS

The San Francisco City Attorney ("City Attorney") conducted an investigation into potentially deceptive and unlawful marketing practices by The Art Institute of California – San Francisco ("AiCA-SF") and other California Art Institute locations (collectively, the "California Art Institutes") indirectly owned by Education Management Corporation ("EDMC"). The California Art Institutes neither admit nor deny any violations of the law. In the interest of avoiding the expense and uncertainty of litigation and of setting a standard for fair and transparent marketing and disclosure practices going forward, the parties agree as follows. The California Art Institutes already have implemented some of the practices described in this Assurance; others represent significant strides by the California Art Institutes.

"The Art Institute of California – San Francisco (AiCA-SF)." AiCA-SF is a campus of Argosy University, a post-secondary institution accredited by the Western Association of Schools and Colleges and indirectly owned by EDMC, that offers diploma and degree programs in the creative arts.

"California Art Institutes." The California Art Institutes refer collectively to all Art Institute locations in California which are campuses of Argosy University, including AiCA-SF. All references in this Assurance to "the California Art Institutes" shall apply both collectively and individually, as if each separate Art Institute campus was expressly named.

"Classification of Instructional Programs (CIP) Code." The CIP is the accepted federal government statistical standard on instructional program classifications and is used in a variety of education information surveys and databases. A CIP Code is a six-digit code in the form of "xx.xxxx" that identifies instructional program specialties within educational institutions.

"Core Skills." Skills that are necessary to receive a diploma or degree in the student's field of study, such that failure to master these skills will result in no diploma or degree. "Core skills" are not the same as "basic skills, which are necessary for success in the student's field of study, but which the student should possess upon entry into the program of study.

"Education Management Corporation (EDMC)." EDMC is a for-profit corporation that owns and operates private post-secondary institutions across the United States. References to EDMC herein include the parent company, its subsidiaries, and all affiliated schools.

"Graduation Rate." This rate is calculated as the total number of first time, full time students who complete their diploma or undergraduate degree program within 150% of normal time, divided by the revised adjusted cohort. The "normal time" is the amount of time necessary for a student to complete all requirements for an undergraduate degree or certificate according to the institution's catalog. The "revised adjusted cohort" is the group of students who enroll in a particular year, excluding any students who are allowed Waivers.

“Job Placement Rate.” Any calculation of the proportion of California Art Institute graduates who are employed in their field of study. This Assurance sets forth detailed requirements for the calculation of Job Placement Rates in Section II.A.1.

“Waivers.” Exceptions that may be granted to students allowing them to be removed from a cohort for purposes of calculating graduation and placement rates. Students may be removed from a cohort if they left the institution for one of the following reasons: a medical condition which prevents work in their field of study; active military duty; incarceration; death; continuing in an unrelated field in a position or career if the position pays more than \$7,500 more than the average starting salary for the graduate’s field of study for the most recently published career placement statistics; furthering education with minimum of 50% credit load; and any other waiver category recognized by the Department of Education after the Effective Date of this Assurance.

II. SUBSTANTIVE TERMS OF AGREEMENT

A. Calculation and Verification of Job Placement Rates and Salaries

1. Job Placement Rates. For the purposes of this Section, in calculating placement rates for its California programs beginning with the first collection of information for that calculation following the Effective Date of this Assurance, the California Art Institutes shall deem an individual as “employed” for the purposes of compiling and disclosing placement rates only if the individual is a graduate and meets the below definition of “employed,” “self-employed,” or “freelance employee.”

- (a) Employed. The individual shall be deemed “employed” if each of the following requirements is met:
 - (i) the position is “in field” which, for purposes of this Assurance, means:
 - (1) it is included in the list of job titles for the graduate’s diploma or undergraduate degree program published by the institution and included in the list of Classification of Instructional Program (CIP) job titles on the O*NET crosswalk approved by the U.S. Department of Education;
 - (2) the job substantially relates to the educational objectives of the graduate’s diploma or undergraduate degree program and requires the graduate to use 50% of the core skills taught in the program at least 50% of the time; or
 - (3) for graduates continuing employment in a position that was held prior to graduation, the graduate or employer attests in writing that the training received enabled the graduate to maintain or advance in the graduate’s position;

- (ii) the position is permanent (i.e., there is no planned end-date);
- (iii) the position is a paid position;
- (iv) for part-time employment, the position requires at least 20 work hours per week;
- (v) the graduate obtains the job within six months after (a) the end of the month in which he or she completes the program, or (b) receives the results of the graduate's first licensing exam, if a license is required for the graduate's occupation;
- (vi) for full-time positions, the graduate's salary is no less than \$16,000 per year and, for part-time positions, the graduate's salary is no less than \$13,000 per year; and
- (vii) the California Art Institutes have verified the employment after the graduate has worked in the position for a minimum of one full payroll cycle through one of the following:
 - (1) obtaining written verification from an employer or an employer's agent to confirm employment;
 - (2) obtaining written verification from the graduate to confirm employment;
 - (3) speaking to either the employer or an employer's agent to confirm employment;
 - (4) speaking to the graduate directly; or
 - (5) for graduates continuing employment in a position that was held prior to enrolling in or during the program, obtaining written verification from the graduate or employer that the training received enabled the graduate to maintain or advance in the graduate's position. The attestation forms provided by the California Art Institutes to graduates and employers for the purposes of verification shall (a) state that the California Art Institutes will use the attestation to calculate job placement rates it publishes to students and the public in advertisements and recruiting materials, and (b) must be signed by the employer or graduate.

No fewer than 80% of employment verifications at a California Art Institute shall be received in writing from the employer, employer's agent, or graduate. If the California Art Institutes are unable to verify employment in writing, it must send written notification to the graduate's last known permanent email address and/or mailing address, stating the graduate's employment information known to the California Art Institutes and notifying that such employment information will be recorded in the

student's file if the student does not respond. The written notification may be counted as a written verification if the student responds in writing and confirms the information set forth in the written notification.

Every written verification of graduate employment received from an employer, employer's agent, or graduate and every notification sent to a graduate confirming employment shall confirm: (i) that the position is permanent, (ii) the salary or rate paid for the position, (iii) the job title, and (iv) the start date of employment and the date of the verification, or the date of termination of employment, if the graduate is no longer employed by the employer. In the event that 15% or more of California Art Institutes' placements confirm the other three elements in this paragraph (i, iii, and iv), but do not have salary or rate information (per ii), the City Attorney and EDMC shall meet and confer to determine the treatment of those verifications.

Should the percentage of written employment confirmations fall below 80%, the California Art Institutes will count in its placement rate only those placements that have been confirmed in writing. A supervisor will attempt to confirm all oral confirmations.

- (b) Self-Employed or Freelance Employee. The individual shall be deemed "self-employed" or a "freelance employee" and included as "employed" in the placement rates for the California Art Institutes if each of the following requirements is met:
- (i) the self-employment or freelance employment meets the requirements of Section II.A.1(a)(i);
 - (ii) the graduate has received no less than \$3,000 in compensation, over a period of no more than 90 days, in return for services provided in connection with the self-employment or freelance employment;
 - (iii) the California Art Institutes has obtained verification of self-employment or freelance work from the graduate or one or more of the graduate's clients that: (A) the graduate is self-employed or a freelance employee; (B) the description of the nature of the self-employment or freelance employment, provided by the graduate or graduate's employer or employer's agent, is true and correct; and (C) the self-employment or freelance employment meets each of the requirements of subparts (b)(i)-(ii) of this paragraph. The California Art Institutes shall follow the verification procedures set forth in Section II.A.1(a)(vii) of this Assurance for verifications; and
 - (iv) If the percentage of graduates reported as freelance and self-employed reach 15% of graduates employed in field, EDMC and the City Attorney

shall meet and confer to agree upon additional standards to govern freelance and self-employed graduates.

- (c) Written Verifications. It is acknowledged and agreed that an email from an employer or graduate shall constitute written verification for purposes of this Assurance.
2. Salary Verifications. To the extent that the California Art Institutes choose to disclose actual or average salaries of its graduates, for purposes of calculating those salaries beginning with the first collection of information for that calculation following the Effective Date of this Assurance, it must:
- (a) In the case of wage-earning graduates whose number of hours per week varies, use the average number of hours worked per week over the most recent 30 days at the time of the verification, as verified by the graduate or employer per Section II.A.1.(a)(vii), to calculate an annual salary; and
 - (b) For graduates in freelance and self-employed jobs, use the graduate's verified number of weeks, as verified per Section II.A.1(b), employed during the year, with the annual salary determined by projecting twelve months of earnings, based on the graduate's self-employed earnings over a three month period.

B. Disclosure of Information

- 1. The California Art Institutes shall not make any untrue, misleading or deceptive statement that would violate California law concerning the placement rates of graduates of any of its programs in any advertising or in any oral or written disclosures to students, prospective students, the public, an accrediting agency, or a government entity.
- 2. The California Art Institutes shall not advertise salary or placement data related to any of its programs based on sources other than consistent with this Assurance. Representations regarding a program's placement rates must be based on graduate verifications from that program from one of the two immediately preceding years, provided that the California Art Institutes will provide the most recent annual placement information to prospective students promptly once it is available. If actual placement or salary data does not exist for a particular program, the California Art Institutes may direct prospective students to (i) a government source that provides salary data for the particular diploma or undergraduate degree program, or (ii) salary data for another school location indirectly owned by EDMC with similar demographics that does have salary data for the diploma or undergraduate degree program. In either case, the California Art Institutes must disclose that such data is not necessarily reflective of the graduates of that particular program.
- 3. Subject to the terms of Section II.A. of this Assurance, if one or more of the California Art Institutes is required by regulators or accreditors to disclose placement rates or average salaries calculated in a manner different than in this Assurance, for a period of

three years from the execution of this Assurance, it shall disclose placement rates and average salaries in accordance with this Assurance along with such required disclosure.

4. Beginning with the first disclosure of placement rates calculated in accordance with the terms of this Assurance, any time any of the California Art Institutes discloses placement rates for its programs in writing (including on its website or other internet site), it shall clearly and conspicuously disclose the following information:

(a) Its Graduation Rate, based on the most recent information available, for first-time, full-time students by diploma or undergraduate degree level. The disclosure of the Graduation Rate shall be published in the same font and font size and next to any disclosures of placement rates or actual or average salaries and shall include the following statement explaining how the Graduation Rate is calculated.

[Institution name]'s job placement rates and average starting salaries are derived from students who graduated from their program of study and found work within their field of study within six months of graduation. The graduation rate computes the percentage of first time, full time students who enrolled in a particular degree type who graduated within 150% of the published length of time expected to complete the program. Prospective students should consider both the graduation rate and the placement rate because the placement information does not include students who enrolled but did not complete their program of study.

(b) The categories of graduates who were excluded from the calculation pursuant to Waivers; and

(c) To the extent that it is required that "employment" is determined for the purpose of statistics pursuant to Section II.A.1, then the disclosure should include a description of the terms set forth therein;

5. Beginning with the first disclosure of average salaries calculated in accordance with the terms of this Assurance, any time any of the California Art Institutes discloses actual or average salaries for its programs in writing (including on its website or other internet site), it shall clearly and conspicuously disclose the following information:

(a) To the extent that it is required that average salaries are calculated pursuant to Section II.A.2, then the disclosure should include a description of the terms set forth therein; and

(b) Current expected program costs by diploma or undergraduate degree type (i.e., diploma, Associates' degree, and Bachelors' degree); and median debt by diploma or undergraduate degree type.

6. Any links to, titles of, or references to graduation and completion rates, transfer rates, retention rates, and cohort default rates, published online or in print, shall refer to this

information specifically by name (e.g. “graduation and completion rates”), or collectively as “Student Consumer Information.” When published online, this information should be easy to find, meaning no more than two links from the California Art Institute’s home page. To the extent the information disclosed online includes information in addition to graduation and completion rates, transfer rates, retention rates, and cohort default rates (e.g. a link to Student Consumer Information as set forth in Section II.E.4(b)), any links to, titles of, or references to the other information disclosed shall accurately describe their content and not be misleading.

7. Any oral or written representations by California Art Institutes employees or agents to prospective students concerning the placement rate of a diploma or undergraduate degree program offered by the California Art Institutes must be consistent with the placement rate calculations described in Section II.A.1 and include: (a) the total cost of the program, and (b) the median debt for graduates of the program.
8. For all programs with 10 or more graduates in a particular year, the California Art Institutes shall make available to prospective students the names of each employer and job titles that it used to calculate its Job Placement Rates. This information may exclude the names of employers that object to or do not grant permission for the publication of their name in a list of graduate employers.
9. The California Art Institutes shall not represent by inference, implication, or express statement that a particular diploma or undergraduate degree program leads to the placement with employers or in job titles and functions unless the California Art Institutes can verify that graduates obtained the advertised employment within the immediately two preceding years; provided, however, that for programs that have fewer than five years of graduates, the California Art Institutes may advertise that they train students to prepare for job titles and functions that are approved job codes for new programs as identified by the U.S. Department of Education or verified job titles and functions of any graduates of those programs. In addition, the California Art Institutes will not list any employer, job title, or function that does not satisfy the requirements of Section II.A.1.
10. The California Art Institutes shall not represent by inference, implication, or express statement that the tuition payments made by a student while he or she is enrolled are the only payments the student must make to obtain a diploma or undergraduate degree.
11. The California Art Institutes shall provide students with adequate time and information to assess the availability and terms of any grants or loans.
12. The California Art Institutes shall provide each prospective student an opportunity to speak with a financial aid advisor prior to paying any tuition or fees, including any application fee. Financial aid advisors and, to the extent they discuss financial aid alternatives, admissions representatives shall be trained to disclose to prospective students that student loans can be costly, and default can have serious consequences. The

California Art Institutes employees will not discourage students from conducting their own research on financial aid options.

13. If any of the California Art Institutes discloses the percentage of enrollees who finish a diploma or undergraduate degree program earlier than the planned time for completion of the diploma or undergraduate degree program it must disclose with that information the percentage of enrollees who did not finish on time.
14. The California Art Institutes shall provide training on at least an annual basis to all California Art Institutes Admissions and Career Services Personnel and any other California Art Institutes employees involved in contacting, verifying, calculating, or supervising the collection of graduate employment information, regarding the requirements of this Assurance or the equivalent.
15. The California Art Institutes shall have 90 days following the Effective Date of this Assurance to become compliant with provisions 2, 4-9 and 13 in this Section.

C. Providing Adequate Career Services Assistance

1. Adequate Career Services Support. The California Art Institutes shall maintain appropriate placement representative-to-student ratios at each of its schools. The California Art Institutes shall aim to provide at least one placement representative for every 100 graduates seeking employment, and must provide no fewer than one placement representative for every 125 graduates seeking employment, on an annual basis for a period of three cohort years beginning with the 2014 cohort (students graduating during the 2014 calendar year). These career services representatives shall be principally devoted to assisting graduates in obtaining jobs. The California Art Institutes shall maintain at least one representative to work with current students who are not yet graduates. At the completion of three years following the execution of this Assurance, the California Art Institutes will notify the City Attorney of any changes or modifications to this policy.
2. Placement Services. For one year after the date this Assurance is executed, AiCA-SF shall provide placement assistance services to all persons who (i) graduated from AiCA-SF, or (ii) graduated from a fully online program offered by The Art Institute of Pittsburgh and lived in the City of San Francisco while enrolled in such program, in each case during the period beginning on January 1, 2009 and ending on December 31, 2011. AiCA-SF shall make reasonable efforts (through mail, e-mail, and telephone calls) to notify graduates of the availability of this placement assistance. AiCA-SF shall designate a career services officer whose primary responsibility will be to perform these services and shall provide the contact information of that officer to all eligible graduates. At the completion of three years following the execution of this Assurance, the California Art Institutes will notify the City Attorney of any changes or modifications to this policy.
3. Student Surveys. The California Art Institutes shall include in any general survey of graduates one or more questions requesting that graduates rate or provide information

about their satisfaction with the placement assistance services offered by the California Art Institutes. At the completion of three years following the execution of this Assurance, the California Art Institutes will notify the City Attorney of any changes or modifications to this policy.

D. Employee Termination

1. Subject to any applicable federal, state or local employment laws, the California Art Institutes shall terminate any employee who it is determined after a reasonable investigation provided or attempted to provide materially false graduate employment information for inclusion in the placement data to be published by a California Art Institute.

E. Reporting and Monitoring

1. The parties shall meet and confer to discuss the status of EDMC's efforts to comply with this Assurance within, and no later than, six months of the date of the execution of this Assurance.
2. For a period of three years, EDMC shall provide to the City Attorney on an annual basis, beginning twelve months from the date of the execution of this Assurance:
 - (a) an affidavit of compliance with the Assurance;
 - (b) placement rate data for each program for which it calculated and disclosed placement rates pursuant to this Assurance;
 - (c) any changes to the California Art Institutes' policies or procedures related to job placement verifications, job placement representations, or representations regarding the cost or time to complete a diploma or undergraduate degree program or type;
 - (d) any CIP codes added to the list of jobs related to programs offered at the California Art Institutes as of the Effective Date of this Assurance. If the City Attorney objects to an added code, it will notify the California Art Institutes and attempt to reach a negotiated resolution. If the parties cannot agree on whether the additional codes are related to the program, and the California Art Institutes use the added code(s), the City Attorney may deem the California Art Institutes to be in breach of this Assurance and proceed according to Section II.G;
 - (e) copies of all recruiting and informational materials prepared for prospective students for AiCA-SF;
 - (f) copies of all advertisements for the California Art Institutes that include Job Placement Rates or representations during the most recent year;

- (g) copies of all written Job Placement Rate disclosures, if any, for the California Art Institutes during the most recent year;
 - (h) a summary of the results of the audits and performance checks performed subject to this Assurance that were conducted during the calendar year;
 - (i) a detailed description of any instances in which disclosed placement rates for the California Art Institutes were revised after disclosure;
 - (j) the questions and results included in any student surveys involving AiCA-SF;
 - (k) any written complaints from students or graduates related to the California Art Institutes' representations or disclosures regarding any of its schools' job placement rates, the costs of its programs or the availability, impact, or terms of grants or loans, or its career services assistance or verifications; and
 - (l) certification of compliance with the scholarship provisions set forth in Section II.H.3 of this Assurance.
3. Audit Report. EDMC shall retain an independent firm to attempt to verify Job Placement Rates computed in accordance with this Assurance concerning 100% of its AiCA-SF graduates with the source of the verification (e.g. employer, employer's agent, or client, or graduate) for 2014. The audit shall also verify the Job Placement Rates computed in accordance with the terms of this Assurance of a statistically significant sampling of graduates of the other California Art Institutes, and graduates of online Art Institute programs who reside in San Francisco. Such independent firm will provide the City Attorney with a written report of its findings. The Parties agree that this audit report and all other records provided to the City Attorney's Office pursuant to this Assurance constitute part of the investigatory files the City Attorney's Office has compiled for civil law enforcement purposes. These records are intended to be confidential records that are exempt from disclosure under Section 6254(f) of the California Public Records Act (exempting from disclosure investigatory files compiled by a "local agency for correctional, law enforcement or licensing purposes"). These records are also confidential under the official information privilege, California Evidence Code Section 1040 (which exempts from disclosure "information acquired in confidence by a public employee in the course of his or her duty and not open, or officially disclosed, to the public prior to the time the claim of privilege is made").
4. Policy Assurance. Aside from changes required by this Assurance, EDMC shall commit to maintain or improve upon its current policies and procedures regarding job placement verifications, job placement representations, and representations regarding the cost or time to complete its programs. EDMC shall promptly notify the City Attorney of any proposed changes to these policies and procedures and, upon request, shall discuss proposed changes with the City Attorney before implementing them. Policies and practices covered by this paragraph include, but are not limited to, the following:

- (a) Code of Conduct provisions regarding Admissions and Recruitment and Financial Aid;
- (b) Prominent website placement of link to Student Consumer Information;
- (c) Website features that facilitate access to information about financial aid, loans, and debt;
- (d) Mystery Shopper and Observation Program; and
- (e) Job placement re-verification procedures, including Department of Career Services Re-verification procedures, independent review by Career Services Staff, and a separate internal review by corporate staff that includes calling a sample of graduates/employers to confirm data.

5. Prospective Quality Assurance. Within 90 days of execution of the Assurance, EDMC shall submit to the City Attorney for review and discussion a protocol for performance checks of the California Art Institutes employees responsible for verifying, calculating, and/or disclosing salaries and placement rates. Such performance checks shall be designed to provide a reliable assessment of the accuracy of disclosed salary and placement rates and compliance by EDMC employees with the terms of this Assurance for the verification, calculation, and disclosure of salary and placement rates. The performance checks shall be carried out at least annually by EDMC's quality assurance or auditing department or an independent third-party. The protocol will include specific instructions concerning:

- (a) a requirement that each employee who engages in verification, calculation, or disclosure of salary and placement rates be subject to such performance checks;
- (b) subject to applicable law, a description of mandatory, non-discretionary disciplinary actions (such as demotion or termination) that shall be applied to EDMC employees and agents who are found to have falsified salary or placement rate data, permitted or failed to prevent the falsification of salary or placement rate data, or failed to provide the disclosures required by this Assurance, or engaged in other misconduct related to salary or placement rates or required disclosures;
- (c) a requirement that where reviews reveal that 5% or more of the graduates of the California Art Institutes were incorrectly counted as placed for the purposes of calculating a placement rate, EDMC shall: (i) conduct a review of the employment status of every graduate deemed to have been placed to determine the extent to which the placement rate must be revised, (ii) calculate and disclose any corrected placement rates; and (iii) notify the City Attorney of this finding; and

- (d) a requirement that at least one level of review includes no employees whose compensation (including discretionary bonuses) varies with the number or rate of verified placements.

F. Written Records

For three years after this Assurance is executed, EDMC shall maintain written records of:

1. All written complaints received from San Francisco residents relating to AiCA-SF, other Art Institute campuses, or fully online Art Institute programs;
2. Beginning July 15, 2014, date-certain copies of its website disclosures and representations regarding Job Placements Rates, career services assistance, and the cost of its programs and time to completion, in each case at the California Art Institutes; and
3. All student files related to employment and salary verification at the California Art Institutes. Such files should include all verifications, re-verifications, and supporting documentation, which includes, but is not limited to, electronic or paper correspondence, interview notes, web-based information, and mathematical calculations. Each student file used to support an "in field" employment calculation shall also include supporting information related to any CIP Codes upon which the "in field" employment designation is based, per Section II.A.1.

G. Enforcement

1. EDMC shall promptly notify the City Attorney if it believes or is notified that it has violated any provision of this Assurance. If EDMC provides such notice and cures and remediates any and all violations within 30 days, the City Attorney shall not take action against EDMC for the violations.
2. If the City Attorney believes that EDMC has violated any provision of this Assurance, the City Attorney shall notify EDMC in writing of its specific concerns and provide EDMC 30 days to respond to and to cure and remediate this violation.
3. Violation of material terms of this Assurance shall be considered prima facie evidence that EDMC engaged in an unfair or deceptive practice in violation of the Unfair Competition Law, Cal. Bus. & Prof. Code § 17200.
4. If EDMC is found by a court of competent jurisdiction to have breached this Assurance, EDMC will pay the cost, if any, of the City Attorney's efforts to enforce this Assurance, including, without limitation, investigation, legal fees, and court costs.

H. Financial Provisions

1. EDMC will pay the City Attorney \$1.95 million for fees and costs of the investigation and to carry out the purposes of the Assurance. Within fifteen days of the Effective Date

of this Assurance, EDMC shall pay the first installment of \$1 million to the City Attorney. EDMC shall pay the second installment of \$450,000 to the City Attorney on or before September 1, 2014. EDMC shall pay the third and final installment of \$500,000 to the City Attorney on or before January 31, 2015.

2. EDMC will provide \$1.6 million (the "Returning Student Scholarship Fund") to fund a scholarship program for students who enrolled in a diploma or degree programs offered by one of the California Art Institutes and withdrew without obtaining a diploma or degree in order to provide tuition assistance to students who wish to finish their diploma or degree program. This scholarship fund will be available as follows: (a) 75% scholarships to students who withdrew from AiCA-SF during the period of January 1, 2009 through December 31, 2012, with tuition waived for the student's last quarter or grading period in the event that the student graduates; (b) for a period of nine months after the Effective Date of this Assurance, at least 25% scholarships to students who withdrew from AiCA-SF during the period of January 1, 2013 through the Effective Date of this Assurance; and (c) thereafter at least 25% scholarships to students who withdrew from one of the California Art Institutes (including AiCA-SF) during the period of January 1, 2013 through the Effective Date of this Assurance. The Returning Student Scholarship Fund shall expire upon the earlier to occur of EDMC awarding eligible former students \$1.6 million in scholarship or the fifth anniversary of the Effective Date of this Assurance. In order to qualify for a scholarship under the Returning Student Scholarship Fund, a former student must have been in academic good standing when he or she withdrew from school, must remain continuously enrolled in school after re-enrolling and receiving a scholarship under the program, and must agree to not borrow or otherwise receive federal funds in excess of tuition and fees charged by the school. The City Attorney and EDMC will work cooperatively to develop and implement a plan to reach out to former students who are eligible to participate in the program. EDMC shall make reasonable efforts to award at least half the allotted funds (\$800,000) to AiCA-SF students.
3. EDMC will additionally provide \$850,000 for an unrestricted scholarship program for students attending one of the California Art Institutes, to be awarded before the end of the three-year compliance period. EDMC shall make reasonable efforts to award at least half the allotted funds (\$425,000) within eighteen months of the Effective Date of this Assurance.
4. The scholarships made available by this Section to current and former students shall supplement, but not supplant, any scholarships otherwise available to students based on scholarships awarded by the California Art Institutes in EDMC's fiscal year ended June 30, 2013. In addition, the scholarships made available by this Section must be funded entirely by EDMC, and must be direct grants to students subject to no fees or repayment obligations.
5. EDMC must certify its compliance with Paragraphs 2-4 of this Section in its regular reporting obligations under this Assurance set forth in Section II.E.2.

6. EDMC will provide data requested by the City Attorney as necessary to administer this Section and enforce the terms of this Assurance. EDMC will provide such data within thirty (30) days of any such request.

I. Effect of Other Agreement

1. To the extent that EDMC enters into any other agreement regarding, in whole or in part, the conduct that is the subject of this Assurance, EDMC shall provide the agreed-upon terms to the City Attorney within thirty (30) days of entering that agreement, except that this clause should not apply to any term mandated by the laws, ordinances, or regulations of another jurisdiction that exceed those applying to California or San Francisco programs as of the Effective Date of this Assurance. The City Attorney may elect to incorporate into this Assurance any conduct provisions from the subsequent settlement that it deems to be more favorable.
2. If the City Attorney notifies EDMC of its intent to incorporate some or all of those terms within thirty (30) days of receiving the terms, such terms will become part of, and will be enforceable through, this Assurance.

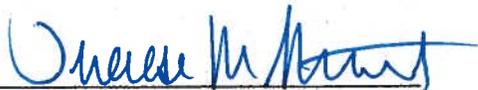
J. Savings Clause

1. In the event that compliance with any provision in this Assurance would prevent EDMC from complying with California or Federal law or regulations or any accreditation or California state licensing rule, regulation or standard, its compliance with those laws, rules, regulations or standards will be a complete defense to its failure to comply with the relevant provision in the Assurance, but will not affect its obligation to comply with any other provision in this Assurance.
2. The City Attorney has agreed to the terms of this Assurance based on, among other things, representations made and documents provided by EDMC. To the extent that any material representations are later found to be materially inaccurate or misleading, this Assurance is voidable at the City Attorney's sole discretion. In such a case, EDMC consents to toll the running of the statute of limitations from the time this Assurance was executed until the disclosure of such misrepresentations.

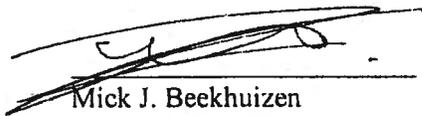
K. Compliance Period

- I. Unless otherwise specified herein, after a period of three years, to the extent the California Art Institutes are operating under valid licenses issued by California, the injunctive terms of this Assurance shall no longer apply.

Effective Date: June 17, 2014



Therese M. Stewart
Chief Deputy City Attorney
San Francisco City Attorney's Office



Mick J. Beekhuizen
Executive Vice President
and Chief Financial Officer
Education Management Corporation

Craig D. Swenson
Chancellor
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