

## **Education Management Reaches Comprehensive Agreements with Attorneys General in 39 States and U.S. Department of Justice**

*Landmark agreement provides a blueprint for higher education on new standards for student recruitment and disclosures*

**PITTSBURGH, Nov. 16, 2015** – Education Management Corporation (EDMC) today announced that it has reached groundbreaking agreements with 39 state attorneys general and the District of Columbia to end state-level investigations into its recruiting practices. Concurrently, EDMC reached a settlement agreement with the U.S. Department of Justice, 12 state attorneys general, the District of Columbia and relators resolving all known cases filed under federal and state False Claims Act (FCA) provisions. EDMC worked with state attorneys general to develop new, more transparent recruiting and disclosure standards, which the company hopes will serve as a model for higher education.

“When we started our work together, the attorneys general had many concerns about the ways that some higher education providers recruited students. EDMC wanted to take the lead in developing the best ways to address each one of these concerns, and we have done so,” said EDMC President and CEO Mark A. McEachen. “EDMC is proud to have worked closely with the state attorneys general to produce a new, one-page, easy-to-read disclosure that provides important information for students as they consider their higher education options at one of our schools.”

“We are also pleased to have resolved the civil claims raised by the Department of Justice and state attorneys general. Though we continue to believe the allegations in the cases were without merit, putting these matters behind us returns our focus to educating students.”

## **The Consent Agreements with State Attorneys General**

Under the terms of the consent judgments with the state attorneys general, EDMC will provide prospective students with additional disclosures, which will provide more transparency during the recruiting process. Students interested in attending EDMC's post-secondary institutions will:

- Receive an easy-to-read, single-page disclosure that details important information like graduate placement rate and student financial impact;
- Be able to use an interactive tool which will personalize and assist in their higher education decisions;
- Receive no-cost orientation when they start as an undergraduate at one of EDMC's institutions; and
- For undergraduate students, have the ability to withdraw with no tuition obligation up to 7 days after their first class at on-campus schools and up to 21 days after the start of the term at online programs (if they have less than 24 credits).

EDMC will also implement additional internal controls governing admissions representatives. For example, EDMC will have all telephone calls and online chats recorded, unless the student requests otherwise, between students and admissions and financial services representatives and use call analytics to validate that contacts with students are handled appropriately. Furthermore, EDMC will forgive the debts owed to its institutions by qualified former students. Specifically, former students who enrolled with less than 24 hours of transfer credit and who left within forty-five (45) days of the first day of their first term, and whose final day of attendance at an EDMC school was between January 1, 2006, and December 31, 2014 will qualify for loan forgiveness from the loans that EDMC institutions made to them.

“With these new standards and enhancements to our existing practices, EDMC is leading in promoting transparency to students while continuing to provide high-quality education,” said McEachen. “We judge ourselves on the outcomes that we deliver for our students, and the changes we announce today will help current and future students gain greater educational and career success.”

The multistate attorneys general consent judgments include the state attorneys general of Alabama, Arizona, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota,

Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wyoming and the District of Columbia.

### **False Claims Act Settlement Agreement with United States Department of Justice**

The comprehensive settlement with the Department of Justice, state attorneys general and other private parties resolved the following false claims act cases: United States of America ex rel. Lynntoya Washington and Michael T. Mahoney v. Education Management Corporation (“Washington”) (California, Florida, Illinois, Indiana, Kentucky Massachusetts, Minnesota, Montana, New Jersey, New Mexico, New York and Tennessee, and the District of Columbia were either parties in or otherwise made claims in Washington); United States of America, ex rel. Jason Sobek v. Education Management Corporation, et al. (“Sobek”); United States of America, ex rel. Michael Laukaitis, et al. v. Education Management Corporation, et al. (“Laukaitis”); and United States of America, ex rel. Dr. Mara Rainwater v. Education Management Corporation, et al. (“Rainwater”). Washington, Sobek and Laukaitis were pending in federal district court in Western Pennsylvania and Rainwater was pending in federal district court in the Middle District of Tennessee. The four false claims act cases constitute the only known FCA-related litigation pending against EDMC.

The settlement agreement, which includes no admission of wrongdoing, obligates EDMC to make payments over time totaling \$95.5 million.

### **About Education Management Corporation**

Education Management Corporation ([www.edmc.edu](http://www.edmc.edu)) provides post-secondary education in North America through four education systems — The Art Institutes, Argosy University, Brown Mackie Colleges, and South University – totaling 110 locations in 32 U.S. states and Canada. The company offers academic programs to students through campus-based and online instruction, or through a combination of both. The company is committed to offering quality academic programs and strives to improve the learning experience for its students. Its educational institutions offer students the opportunity to earn undergraduate and graduate degrees and certain specialized non-degree diplomas in a broad range of disciplines, including media arts, health sciences, design, psychology and behavioral sciences, culinary, business, fashion, legal, education and information technology.

### **Cautionary Statement**

This press release includes information that could constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements typically contain words such as "anticipates," "believes," "estimates," "expects," "intends" or similar words indicating that future outcomes are not known with certainty and are subject to risk factors that could cause these outcomes to differ significantly from those projected. Any such forward-looking statements involve risks

and uncertainties that could cause actual results to differ materially from any future results encompassed within the forward-looking statements. Some of the factors that could cause actual results to differ materially include, but are not limited to: changes in the overall U.S. or global economy; changes in enrollment or student mix; student retention; the company's ability to maintain eligibility to participate in Title IV programs; changes in government spending; increased or unanticipated legal and regulatory costs; success of cost-cutting initiatives and growth strategies; changes in accreditation standards; the implementation of new operating procedures for the company's fully online programs; government and regulatory changes including revised interpretations of regulatory requirements that affect the postsecondary education industry; new programs and operational changes implemented in response to the "gainful employment" financial metrics; the impact of the gainful employment regulation on the company's programmatic offerings to students due to the inability of the programs to pass the debt to income tests imposed by the regulation; and other factors discussed in the company's filings with the Securities and Exchange Commission, including those identified in the "Risk Factors" section of the company's Annual Report on Form 10-K. Past results of the company are not necessarily indicative of its future results. The company does not undertake any obligation to update any forward-looking statements, except as required by securities laws.