UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

DIGITAL MEDIA SOLUTIONS, LLC Plaintiff, v. SOUTH UNIVERSITY OF OHIO, LLC, *et al.* Defendants.	)	CASE NO. 1:19-cv-145 JUDGE DAN AARON POLSTER MAGISTRATE JUDGE THOMAS M. PARKER

UNOPPOSED MOTION TO INTERVENE BY STUDENT INTEVENORS, THE DUNAGAN PLAINTIFFS

Pursuant to Rule 24 of the Federal Rules of Civil Procedure, Emmanuel Dunagan, Jessica Muscari, Robert J. Infusino and Stephanie Porreca, plaintiffs and named representatives in a proposed class action pending in the Circuit Court of Cook County, Illinois against the Illinois Institute of Art LLC, the Illinois Institute of Art-Schaumburg, LLC, and Dream Center Education Holdings LLC, three of the entities in receivership, hereby move the Court to intervene in this action.

No counsel for any party in the case has indicated they will interpose any objection to this Motion.

The reasons for the Motion are set forth in the accompanying Memorandum. A copy of the Proposed Order approving the request to intervene is attached to the Memorandum.

/s/ Richard S. Gurbst
Richard S. Gurbst (Bar # 0017672)
Eleanor M. Hagan (Bar # 0091852)
SQUIRE PATTON BOGGS (US) LLP
4900 Key Tower
127 Public Square
Cleveland, Ohio 44114
Telephone: +1 216 479 8500
E-mail*: richard.gurbst@squirepb.com*

Eric Rothschild
(Admitted Pro Hac Vice)
Alexander S. Elson
(Admitted Pro Hac Vice)
NATIONAL STUDENT LEGAL DEFENSE NETWORK
1015 15th Street NW, Suite 600
Washington, DC 20005
Telephone: +1 202 734 7495
E-mail: *alex@nsldn.org*
eric@nsldn.org

Counsel for Proposed Intervenors,
Emmanuel Dunagan, Jessica Muscari,
Robert J. Infusino and Stephanie Porreca

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing Unopposed Motion to Intervene was served upon all parties of record by the Court's electronic filing system this 6th day of February, 2019.

/s/ Richard S. Gurbst
Richard S. Gurbst
One of the Attorneys for Proposed Intervenors

UNITED STATES DISTRICT COURT
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DIGITAL MEDIA SOLUTIONS, LLC Plaintiff, v. SOUTH UNIVERSITY OF OHIO, LLC, *et al.* Defendants.	)	CASE NO. 1:19-cv-145 JUDGE DAN AARON POLSTER MAGISTRATE JUDGE THOMAS M. PARKER

MEMORANDUM IN SUPPORT OF UNOPPOSED MOTION TO INTERVENE BY STUDENT INTEVENORS, THE DUNAGAN PLAINTIFFS

Without the objection received from other parties, Emmanuel Dunagan, Jessica Muscari, Robert J. Infusino and Stephanie Porreca, plaintiffs and named representatives in a proposed class action pending in the Circuit Court of Cook County, Illinois, Department–Chancery Division, *Dunagan et al. v. Illinois Institute of Art-Chicago, LLC, et al.*, Case No. 2018 CH15216 (the "Dunagan Plaintiffs"), move to intervene in this proceeding pursuant to Fed. R. Civ. P. 24(a). The Dunagan Plaintiffs allege in their lawsuit that two of the entities that this Court has placed in receivership—their school, the Illinois Institute of Art, and the school's owner and operating company, Dream Center Education Holdings (DCEH)—misled students by intentionally concealing that the school had lost accreditation. It has already been determined in a separate

proceeding to which DCEH is a party that this behavior was "inaccurate and misleading," and a corrective action plan to provide relief to students is necessary.

The interests of students and former students need to be represented before the Court. The Court is requested to grant the Dunagan Plaintiffs' motion to intervene to ensure that they have a forum to present their claims as well as represent the interests of students harmed by Defendants.

I. BACKGROUND

A. DCEH's Purchase of For-Profit Colleges

DCEH, one of the entities in receivership, was formed by its parent company the Dream Center Foundation (a California-based charity that is not part of this proceeding), to purchase a suite of for-profit colleges from a company called Education Management Corporation (EDMC). Dunagan Complaint ¶ 19. (Exh. A). The purchases of the schools closed in two phases, in October 2017 and January 2018. Declaration of Randall Barton in Support of South University of Ohio et al.'s Response to Plaintiff Digital Media Solutions' Emergency Motion for the Appointment of a Receiver (Dkt. 7-1 ¶ 6). The purchased schools are subject to the receivership ordered by the Court.

When DCEH acquired the schools, DCEH succeeded to a still-binding consent judgment entered into in 2015 between EDMC and forty states' attorneys general, that resolved a dispute about EDMC's recruitment practices, among other things. A Settlement Administrator was appointed to oversee the Consent Judgment and issue annual reports regarding first EDMC's, and subsequently DCEH's, compliance with its requirements. Relevant excerpts of the Settlement Administrator's Third Annual Report are attached as Exhibit B.

B. DCEH's Concealment of the Loss of Accreditation

The sale of the Illinois Institute of Art from EDMC to DCEH closed on January 20, 2018. Dunagan Complaint ¶ 35. The Higher Learning Commission (HLC) informed DCEH that it was downgrading the Art Institute's accreditation status as of that date from "accredited" to "candidate." *Id.* at ¶¶ 50-51. HLC instructed the Art Institute to inform students taking classes or graduating during the candidacy period that their "courses or degrees are not accredited by HLC and may not be accepted in transfer to other colleges and universities or recognized by prospective employers." *Id.* at ¶ 55.

DCEH and the Art Institute did not follow HLC's directive to tell students about the loss of accreditation, and in fact, stated in the school's course catalogue and on its website that the school *was* accredited. Third Report at 44; Dunagan Complaint ¶¶ 67-68, 72. They did not inform students that their school and courses were not accredited until June 2018, after the concealment was reported by the media. *Id.* at ¶¶ 81-83. Within days of finding out that the school was not accredited, students were also informed that the school was closing in December 2018. *Id.* at ¶¶ 91-92; Third Report at 44. The Art Institute never recovered its accredited status. Dunagan Complaint ¶ 112. As a consequence, all students who were enrolled at the Illinois Institute of Art on or after January 20, 2018, wasted many months, paid tuition, and exhausted loan eligibility on classes that were not accredited, and may not transfer to other schools. Students who graduated from the school any time after January 20, 2018 earned degrees from an unaccredited college.

DCEH and the Art Institute's misrepresentations to students about accreditation were incorporated into the Settlement Administrator's oversight of the Consent Judgment. The Settlement Administrator concluded that the concealment of the loss of accreditation was "inaccurate and misleading" to students. Third Report at 44. The Administrator required DCEH

to develop a corrective action plan "to provide appropriate relief to students affected by the failure to disclose the HLC accreditation action." *Id.* The Administrator goes on to state that "[*t]he completion of an appropriate corrective action plan on this issue is clearly a necessary prerequisite to being in substantial compliance with the Consent Judgment*." *Id.* (emphasis added). The Dunagan Plaintiffs have not been made aware of any corrective action plans approved by the Settlement Administrator.

C. DCEH's Receivership

The receivership ordered by the Court was requested in an Emergency Motion for Temporary Restraining Order by Digital Media Solutions, a company that claims unpaid invoices in the amount of $250,000 for identifying students for DCEH schools to recruit (commonly called lead generation). (Dkt.3). This is a tiny fraction of DCEH's financial liabilities, according to the Affidavit of DCEH Chairman Randall Barton, filed in support of DCEH's response agreeing with DMS's motion for a receivership. (Dkt. 7-1).

The students have sued DCEH and the Art Institute, as well as DCEH's parent, the Dream Center Foundation, to recover the tuition paid to the Art Institute after it lost accreditation, along with other damages.[1] The Dunagan Plaintiffs have filed a Notice of Stay of their claims against DCEH and the Art Institute in the Cook County case. The claims against the Dream Center Foundation—which is not in receivership—remain pending in that court.

[1] HLC also withdrew the accreditation of the Art Institute of Michigan (a branch campus of the Illinois Institute of Art) and the Art Institute of Colorado, a separate Art Institute owned by DCEH. Third Report at 43. The Art Institute of Colorado and Art Institute of Michigan students are not currently part of the proposed *Dunagan* class, but are victims of the same misconduct (*id.* at 43-44), and may have their own claims to bring against entities that have been placed in receivership.

II. DISCUSSION

The Dunagan Plaintiffs move to intervene pursuant to Fed. R. Civ. P. 24(a), which provides for intervention of right by anyone who "claims an interest relating to the property or transaction that is the subject of the action, and is so situated that disposing of the action may as a practical matter impair or impede the movant's ability to protect its interest, unless existing parties adequately represent that interest." The Court has granted the unopposed motion to intervene of Flagler Master Fund SPC Ltd., and U.S. Bank, National Association, two of DCEH's creditors. Dkt. 19. For purposes of brevity, the Dunagan Plaintiffs incorporate the authorities cited in Flagler and U.S. Bank's motion.

The Dunagan Plaintiffs satisfy the standards for intervention under Rule 24. *Ne. Ohio Coal. for the Homeless v. Blackwell*, 467 F.3d 999, 1007 (6th Cir. 2006). First, the requested intervention is timely. The DMS lawsuit and emergency motion for receivership was filed less than three weeks ago (Dkt. 1), and no process to assess claims by creditors has been announced.

Second, the rights of the Dunagan Plaintiffs, and similarly situated students, to seek corrective action for Defendants' misrepresentations about their schools' accreditation status has not been presented in these proceedings. The Dunagan Plaintiffs have a substantial legal interest in the subject matter of the case. The Receivership Order stays their lawsuit in Cook County against DCEH and the Art Institute. Furthermore, DCEH assert that a possible purchaser of DCEH assets, Eastern Gateway Community College, will only do so if the assets are free and clear of claims and liens. Dkt. 7 at 3. The Dunagan Plaintiffs' claims must be resolved before that can occur.

Third, impairment of the Dunagan Plaintiffs and similarly situated students is a real and actual possibility if intervention is not granted. The Court has already allowed the intervention of Flagler and U.S. Bank, two creditors claiming more than $115 million in secured claims. (Dkt. 19,

26). It also has before it the claims of Plaintiff DMS, and likely will field claims from other vendors and landlords. The Dunagan Plaintiffs should be allowed to participate in the proceeding to ensure that their right to a corrective action plan under the Consent Judgment is enforced, and that their claims are considered along with those of other creditors before the Receiver disposes of the Defendants' assets.

Fourth, the existing parties will not adequately represent the interests of the Dunagan Plaintiffs. At this point, no current or former students are parties to this proceeding. Furthermore, while the claims of secured lenders, vendors, and landlords were described to the court in the pleadings seeking a receivership, the claims of students were omitted, even though DCEH is party to a long-standing Consent Judgment that imposes upon it obligations from it to the Dunagan Plaintiffs and similarly situated students.

As all four of the Sixth Circuit's elements for mandatory intervention under rule 24(a) are present here, and no party opposes intervention, the Dunagan Plaintiffs' motion to intervene as of right should be granted. In the alternative, the Court should exercise its discretion to grant permissive intervention under Rule 24(b) as the motion is timely and alleges at least one common question of law or fact. DCEH proposes to transfer assets free and clear of claims and liens while this receivership is in effect, but has not accounted for how it will do so until its obligations to the Dunagan Plaintiffs and similarly situated students are addressed.

CONCLUSION

The Receivership Order was entered in this case, staying claims by students damaged by misrepresentations by some of the entities placed in receivership. The Dunagan Plaintiffs should be allowed to intervene to ensure that they have a forum in which to present their claims. No objection from any other party to this case has been received. Accordingly, the Dunagan Plaintiffs

respectfully request that the Court enter an Order in the form attached, granting their request to intervene as of right in this proceeding.

/s/ Richard S. Gurbst
Richard S. Gurbst (Bar # 0017672)
Eleanor M. Hagan (Bar # 0091852)
SQUIRE PATTON BOGGS (US) LLP
4900 Key Tower
127 Public Square
Cleveland, Ohio 44114
Telephone: +1 216 479 8500
E-mail*: richard.gurbst@squirepb.com*

Eric Rothschild
(Admitted Pro Hac Vice)
Alexander S. Elson
(Admitted Pro Hac Vice)
NATIONAL STUDENT LEGAL DEFENSE NETWORK
1015 15th Street NW, Suite 600
Washington, DC 20005
Telephone: +1 202 734 7495
E-mail: *alex@nsldn.org*
eric@nsldn.org

Counsel for Proposed Intervenors,
Emmanuel Dunagan, Jessica Muscari,
Robert J. Infusino and Stephanie Porreca

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing Memorandum in Support of Unopposed Motion to Intervene was served upon all parties of record by the Court's electronic filing system this 6th day of February, 2019.

/s/ Richard S. Gurbst
Richard S. Gurbst
One of the Attorneys for Proposed Intervenors

EXHIBIT A

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT – CHANCERY DIVISION

EMMANUEL DUNAGAN, JESSICA MUSCARI, ROBERT J. INFUSINO, and STEPHANIE PORRECA, on behalf of themselves and a class of similarly situated persons,

Plaintiffs,

v.

ILLINOIS INSTITUTE OF ART-CHICAGO, LLC, an Illinois limited liability company; ILLINOIS INSTITUTE OF ART-SCHAUMBURG, LLC, an Illinois limited liability company; ILLINOIS INSTITUTE OF ART, LLC, an Illinois limited liability company; DREAM CENTER FOUNDATION, a California non-profit corporation; DREAM CENTER EDUCATIONAL HOLDINGS, LLC, a Pennsylvania limited liability company; and JOHN DOES 1-10, in their individual capacity,

Defendants.

Case No. _____

CLASS ACTION COMPLAINT AND JURY DEMAND

CLASS ACTION COMPLAINT

1. Plaintiffs Emmanuel Dunagan, Jessica Muscari, Robert J. Infusino, and Stephanie Porreca ("Named Plaintiffs"), on behalf of themselves and a class of similarly situated persons, bring this class action complaint against the Dream Center Foundation ("DCF"), Dream Center Education Holdings, LLC ("DCEH"), the Illinois Institute of Art, LLC ("IIA"), the Illinois Institute of Art-Chicago, LLC ("IIA-Chicago"), the Illinois Institute of Art-Schaumburg, LLC ("IIA-Schaumburg"), and John Does 1-10, in their individual capacity (collectively, "Defendants") for violations of the Illinois Consumer Fraud and Deceptive Practices Act, 815 ILCS 505/2 ("ICFDPA"), fraudulent concealment, and negligent misrepresentation.

NATURE OF THE CASE

2. Defendant IIA is an institution of higher education in operation since 1916, which is comprised of multiple campuses, and offers bachelor's and associate degrees for several programs, including culinary arts, design, fashion, and media arts.

3. On March 3, 2017, Defendant DCF entered into an agreement to purchase Defendant IIA from its then-owner, Education Management Corporation ("EDMC"). At the time of the purchase, Defendant IIA, and all its campuses, were accredited by the Higher Learning Commission ("HLC"), a private, non-profit accrediting agency recognized by the United States Department of Education.

4. On January 20, 2018, the transfer of control of IIA schools from EDMC to DCF and its subsidiaries went into effect. On that date, IIA's campuses—including IIA-Chicago, located in Chicago, IL, and IIA-Schaumburg, located in Schaumburg, IL—lost their status as accredited institutions of higher education.

5. Defendants did not inform IIA students at any time after agreeing to purchase IIA that IIA campuses could lose their accreditation, and, in direct defiance of HLC's instruction, did not inform students when the loss of accreditation happened.

6. For at least five months thereafter, Defendants made false and misleading representations to Named Plaintiffs and other similarly situated students regarding IIA's accreditation status, including, in widely disseminated materials, that IIA campuses "remain accredited." Defendants' misrepresentations violated the ICFDPA and Illinois common law.

7. Defendants also concealed from Named Plaintiffs and other similarly situated students for those same five months that IIA had lost its status as an accredited institution of

higher education. Defendants' concealment likewise violated the ICFDPA and Illinois common law.

8. Named Plaintiffs discovered the truth about IIA's lack of accreditation between approximately June 20, 2018 and July 10, 2018, when they returned from break to start the summer quarter.

9. Defendants continued to make false and misleading representations after July 9, 2018, including that IIA was likely to reobtain accreditation and that credits earned since IIA lost accreditation would be deemed fully accredited once IIA's accreditation was ultimately reinstated. IIA's accreditation was never reinstated.

10. Defendants' misrepresentations and omissions of material facts regarding IIA's lack of accreditation violate the ICFDPA and Illinois common law and have caused substantial harm to Named Plaintiffs and over 1,000 similarly situated students.

JURISDICTION AND VENUE

11. Jurisdiction is proper under 735 ILCS 5/2-209 because Defendants transact business in Illinois and make and perform contracts in Illinois.

12. Venue for this action properly lies in Cook County, Illinois pursuant to Section 2-101 of the Illinois Code of Civil Procedure, 735 ILCS 5/2-101, and the ICFDPA, 815 ILCS 505/10a(b), because Defendants are doing business in Cook County, Illinois and the majority of the transactions complained of herein occurred in Cook County, Illinois.

PARTIES

13. Named Plaintiff Emmanuel Dunagan is a natural person who resides, and at all relevant times has resided, in Bellwood, IL. Mr. Dunagan enrolled as a student at IIA-Chicago

in December 2014 and remains enrolled there. He is on schedule to graduate from IIA-Chicago in December 2018.

14. Named Plaintiff Jessica Muscari is a natural person who resides, and at all relevant times has resided, in Wheaton, IL. Ms. Muscari was enrolled as a student at IIA-Chicago from April 2015 until she graduated in September 2018.

15. Named Plaintiff Robert J. Infusino is a natural person who resides, and at all relevant times has resided, in Addison, IL Mr. Infusino was enrolled as a student at IIA-Schaumburg from October 2015 until he withdrew in September 2018.

16. Named Plaintiff Stephanie Porreca is a natural person who resides, and at all relevant times has resided, in Wood Dale, IL. Ms. Porreca was enrolled as a student at IIA-Schaumburg from July 2014 until she graduated in June 2018.

17. Defendant IIA is an institution of higher education with campuses located in Chicago, IL, Schaumburg, IL, and Novi, MI. Through an intermediary company, IIA is a subsidiary of Defendant DCEH.

18. Defendants IIA-Chicago and IIA-Schaumburg are owned by Defendant IIA.

19. Defendant DCEH is an Arizona non-profit limited-liability company that was formed on January 9, 2017 to facilitate the sale of assets between EDMC and Defendant DCF. DCEH's principal office is located in Pittsburgh, Pennsylvania. DCEH owns and operates all of Defendant IIA's campuses.

20. Defendant DCF was organized as a California non-profit corporation on January 8, 2008. DCF's principal office is located in Los Angeles, CA.

21. DCF is the sole owner of DCEH and the ultimate parent company of the buyers in the EDMC transaction.

22. Defendants John Doe 1-10 are officers and directors of one or more Defendants.

23. Defendants were, at all relevant times, engaged in trade and commerce in the state of Illinois.

24. At all relevant times, Defendants have advertised, offered for sale, sold, and solicited Illinois consumers to enroll in educational courses and degree-granting programs at IIA's Illinois campuses.

FACTUAL ALLEGATIONS

Defendant DCF Purchases IIA from EDMC

25. Since 2014, DCF had been "actively exploring formal educational partnerships to possibly acquire an accredited university or university system with a focus on acquiring a for-profit educational institution who would benefit from becoming non-profit." *See* Press Release, Dream Center, Acquisition of Education Management Corporation (Mar. 3, 2017), *available at:* https://dreamcenter.org/dream-center-foundation/.

26. From those explorations emerged "an amazing opportunity for the Dream Center Foundation to acquire 3 university systems from a for-profit organization, Education Management Corporation (EDMC), and turn those systems into community focused not-for-profit educational institutions." *Id.*

27. On March 3, 2017, EDMC announced the execution of a definitive agreement for the sale of substantially all of its assets and schools, including the IIA schools, to DCF.

28. As stated by DCF, its purchase of schools from EDMC (including IIA) would, among other things: "[p]rovide low cost or no cost GED training at each campus in conjunction with participating Dream Centers;" "[o]ffer academic programs on-site and/or through 'on-line' at Dream Centers throughout our network;" "[p]rovide scholarships for graduates from the

network of Dream Centers;" "[p]rovide pathways and scholarships for higher education for the thousands of [Dream Center] volunteers and interns;" and "[c]onnect graduates to jobs through job placement programs throughout the Dream Center Network, and through expanded job placement efforts at each college campus site." *Id.*

29. In addition, DCF announced that, as part of the acquisition, it intended to invest "a percentage of revenue into humanitarian and charitable programs supported by the Dream Center Foundation in Los Angeles and throughout the United States." *Id.*

30. On March 3, 2017, EDMC executed an agreement for the sale of substantially all of its assets and schools to DCF, including the assets of IIA, for $60 million.

31. When the EDMC acquisition was announced on March 3, 2017, Randall Barton, the managing director of DCF and the executive chairman of DCEH, stated that "[e]ducation has always been at the heart of the Dream Center Foundation's mission. While the Dream Center will continue to operate these institutions as they have operated, we will bring to them an expanded vision; they will be community-focused, not-for-profit institutions coupling their quality programs with a humanitarian culture that values social responsibility."

32. On March 6, 2017, IIA informed students by email of EDMC's "intention to sell [IIA] to DCF, a not-for-profit institution." IIA told students in the email that "[t]his agreement is great news for our school;" that "[t]he Illinois Institute of Art-Chicago is not going out of business;" and that "you and your fellow students will have the opportunity to continue your current programs of study and graduate on time and without interruption."

33. IIA's March 6, 2017 email to students did not say anything about IIA's accreditation, including how the change of control over IIA from EDMC to Dream Center could affect IIA's accreditation.

34. On October 17, 2017, DCF issued a press release stating, among other things, that "the relationship between the schools and the Dream Center Foundation will allow these schools to continue to provide students with an excellent education and strengthen their sense of social responsibility."

35. DCF completed the purchase of all IIA campuses on January 20, 2018.

36. There is significant overlap in the management, control, and operations of DCF, DCEH, and IIA.

37. For example, Randall Barton is the managing director of DCF and the executive chairman of DCEH and Reverend Matthew Barnett is the founder and president of DCF and a member of the DCEH Board of Managers.

38. The three managers of Defendant IIA, according to the Office of the Illinois Secretary of State, are: (i) Brent Richardson (DCEH CEO), (ii) Randall K. Barton (managing director of DCF), and (iii) Matthew Barnett (president of DCF).

39. The cost of attendance for academic year 2018-2019 for both IIA-Chicago and IIA-Schaumburg was estimated by DCEH to be $28,878 (living with parents) and $32,644 (living off campus).

40. This estimate included tuition of $483 per credit as well as estimates for expenses such as room and board, transportation, personal expenses, fees, books, and supplies.

The Importance and Value of Institutional Accreditation

41. Institutional accreditation is the primary means of assuring and improving the quality of higher education institutions and programs in the United States.

42. Accreditation is the most powerful signal to students, employers, and the public that they can have confidence in a college or university.

43. On its consumer information page, the Illinois Board of Higher Education states: "When you're looking around at Illinois schools, be sure the institution you select is accredited. Accreditation, by various nonprofit bodies, guarantees that the degree granted by an institution meets the accrediting body's standards of quality and content." *See* Illinois Board of Higher Education, Consumer Information, *available at:* http://legacy.ibhe.org/consumerInfo/authorize.htm.

44. Accreditation is especially critical to students' efforts to obtain employment and transfer credits to other educational institutions.

45. With respect to employment, accreditation signals to prospective employers that a student's educational program has met widely accepted standards.

46. With respect to transferability, accreditation indicates to educational institutions receiving and processing requests for transfer that the sending institution has met threshold expectations of quality.

47. When a school lacks accreditation, it is a signal to employers and other educational institutions that the school may offer a sub-par education.

48. For that reason, a student wishing to transfer credits to a different school or obtain employment will be at a significant disadvantage if the student attends or attended a school that lacks accreditation.

IIA Loses Accreditation on January 20, 2018

49. From the date Named Plaintiffs enrolled at IIA through January 19, 2018, IIA was accredited by HLC. HLC accredits approximately 1,000 degree-granting colleges and universities that are based in a nineteen state region of the United States, including Illinois.

50. On January 20, 2018, HLC removed IIA's status as an accredited institution of higher education and placed it instead on "Change of Control–Candidacy" status.

51. Under "Change of Control–Candidacy" status, IIA was not an accredited institution of higher education, but rather was a candidate school *seeking* accreditation.

52. Under such "candidacy" status, IIA remained eligible to receive federal funds under Title IV of the Higher Education Act ("HEA").

53. The period of IIA's candidacy status was to last a minimum of six months to a maximum of four years.

54. With the six-month minimum, the earliest IIA could have re-attained HLC accreditation was on or around July 20, 2018.

55. On January 20, 2018, HLC instructed IIA in a public disclosure document to inform students taking classes or graduating during the candidacy period that their "courses or degrees are not accredited by HLC and may not be accepted in transfer to other colleges and universities or recognized by prospective employers."

56. HLC also required IIA to provide proper advisement and accommodations to its students in light of the loss of accreditation, including assisting students with financial accommodations or transfer arrangements, if requested.

57. HLC's directive to inform students regarding the loss of accreditation was consistent with Defendants' legal duty not to engage in substantial misrepresentations.

58. As a condition of its initial and continuing eligibility to participate in the Title IV program under the HEA, one or more Defendants entered into a program participation agreement ("PPA") with the United States Department of Education in which they agreed to "comply with all statutory provisions of or applicable to Title IV of the HEA" as well as "all applicable

regulatory provisions prescribed under that statutory authority." 34 CFR § 668.14(b)(1). *See also* 20 U.S.C. § 1094(a) ("The [PPA] shall condition the initial and continuing eligibility of an institution to participate [in the Title IV program])."

59. Under United States Department of Education regulations, an institution of higher education receiving federal funds under Title IV of the HEA is prohibited from making "substantial misrepresentation[s] about the nature of its educational program, its financial charges, or the employability of its graduates." 34 C.F.R. § 668.71.

60. A misrepresentation concerning "the nature of an eligible institution's educational program" explicitly includes, but is not limited to "false, erroneous or misleading statements concerning - (a) The particular type(s), specific source(s), nature and extent of its institutional, programmatic, or specialized accreditation." 34 C.F.R. § 668.72(a).

Defendants Conceal IIA's Loss of Accreditation from Named Plaintiffs and the Putative Class and Affirmatively Misrepresent that IIA is Accredited

61. After IIA lost its status as an accredited institution on January 20, 2018, Defendants did not inform prospective, current, or former students.

62. On January 23, 2018, two days after losing its status as an accredited institution, IIA-Schaumburg President David Ray sent an email to all IIA-Schaumburg students to share the "very exciting news" that IIA-Schaumburg "is now a non-profit institution!"

63. The January 23, 2018 email did not inform students that IIA-Schaumburg had lost its accreditation.

64. On January 24, 2018, three days after losing its status as an accredited institution, IIA-Chicago President Josh Pond sent an email to all IIA-Chicago students to share the "very exciting news" that IIA-Chicago "is now a non-profit institution!" The email invited students to

"[p]lease stop by the Student Lounge tomorrow (Thursday), January 25 between 11AM and 1PM for a cake and ice cream celebration!"

65. The January 24, 2018 email did not inform students that IIA-Chicago had lost its accreditation.

66. Upon information and belief, one or more John Doe defendants directed Presidents Pond and Ray to send the January 23-24 emails to students.

67. On February 28, 2018, Defendants published a "Catalog Addendum" to IIA's 2017-2018 course catalog. The only item addressed in the addendum was an "Accreditation Update," which stated:

> **Accreditiaton [sic] Update**
> ***The following fully replaces the Institutional Accreditaiton* [sic] *Statement on page 5 of the current:***
>
> **Institutional Accreditation**
> The Illinois Institute of Art is in transition during a change of ownership. *We remain accredited* as a candidate school seeking accreditation under new ownership and our new non-profit status. Our students remain eligible for Title IV.

(emphasis added).

68. On April 26, 2018, Defendants published a spring course catalog for 2017-2018, which stated:

> **Institutional Accreditation**
> The Illinois Institute of Art is in transition during a change of ownership. *We remain accredited* as a candidate school seeking accreditation under new ownership and our new non-profit status. Our students remain eligible for Title IV.

(emphasis added).

69. Throughout the winter and spring of 2018, Defendants continued to recruit new students to enroll in IIA-Chicago and IIA-Schaumburg.

70. During this time, Defendants held open houses where staff provided information about IIA to prospective students.

71. During these open houses and other recruitment efforts, Defendants did not disclose to prospective students that IIA was an unaccredited school.

72. In addition, Defendants affirmatively represented in IIA's enrollment agreements after January 20, 2018 that the school was accredited. Like the course catalogues, the enrollment agreements stated: "We remain accredited as a candidate school seeking accreditation under new ownership and our new nonprofit status."

73. On or around May 16, 2018, Defendants became aware of public reports regarding their deceptive and misleading representations to students about their accreditation status.

74. A May 16, 2018 article in the online publication *Republic Report* stated:

> As a DCEH employee told me: "These students don't know that they just graduated from an unaccredited school. They have no idea. They don't know they may not be eligible for jobs." The employees say that DCEH is not directing campuses to tell graduates and current students about the unaccredited statuses of their schools.

See David Halperin, "Inside a For-Profit College Conversion: Lucrative Ties, Troubling Actions," *Republic Report* (May 16, 2018), *available at:* https://www.republicreport.org/2018/inside-a-for-profit-college-conversion-lucrative-ties-troubling-actions/.

75. Instead of correcting the misleading representations to students, DCEH CEO Brent Richardson distributed an email to DCEH employees—but not to students—attacking the author of the article as "a long-time critic of the proprietary higher education sector." Mr.

Richardson's email did not address the article's allegation that DCEH was misrepresenting and concealing its loss of accreditation from students and graduates.

76. Students graduated from IIA between January 20, 2018 and June 19, 2018 without being informed by Defendants that the courses they had taken from January 20, 2018 onwards were not accredited and that the degree IIA conferred on them was from an unaccredited school.

77. Upon information and belief, one or more John Doe defendants directed Defendants to conceal the loss of accreditation from students and directed Defendants to make affirmative misrepresentations regarding accreditation in, among other places, the course catalogues, on the website, and in enrollment agreements.

Defendants Inform Students that IIA is not Accredited and that IIA is Closing Down, but Continue to Conceal and Misrepresent Material Facts

78. As late as June 19, 2018, Defendants still had not communicated to students that IIA lost its accreditation on January 20, 2018.

79. Until on or around June 19, 2018, IIA's websites contained the following disclosure: "We remain accredited as a candidate school seeking accreditation under new ownership and our new non-profit status."

80. The same disclosure appeared in IIA's course catalogs until August 6, 2018.

81. On June 19, 2018, the *Pittsburgh Post-Gazette* published an article exposing that HLC had removed the school's accreditation on January 20, 2018, and that "Art Institute schools [including the Chicago and Schaumburg schools] failed to communicate that change to students, as the Higher Learning Commission had instructed in its Jan. 20 letter to Dream Center." Daniel Moore, "Deal Under Scrutiny as Art Institutes Face Accreditation Setbacks," *Pittsburgh Post-Gazette* (June 19, 2018), *available at:* https://www.post-gazette.com/business/career-

workplace/2018/06/19/Deal-under-scrutiny-Art-Institutes-accreditation-setbacks-dream-center/stories/201806140022.

82. The *Post-Gazette* article went on to say that "Dream Center continued to post statements online and in school catalogs that the schools 'remain accredited.'" *Id.*

83. The next day, IIA-Schaumburg President Ray and new IIA-Chicago President Jennifer Ramey sent identical emails to current IIA-Schaumburg and IIA-Chicago students informing them that "[w]e are a candidate school seeking accreditation under new ownership and our new non-profit status. During candidacy status, an institution is not accredited[,] but holds a recognized status with HLC indicating the institution meets the standards for candidacy. Our students remain eligible for Title IV funding. DCEH continues to actively work with HLC to earn reinstatement of accreditation."

84. Upon information and belief, one or more John Doe defendants directed Presidents Ramey and Ray to send these June 20 emails to students.

85. The June 20 emails were the first communication that students, including Named Plaintiffs, received from Defendants acknowledging that IIA-Schaumburg and IIA-Chicago were not accredited.

86. The June 20 emails did not inform students that IIA-Schaumburg and IIA-Chicago lost accreditation five months prior.

87. School was not in session when the June 20 emails went out.

88. On June 21, 2018, IIA-Chicago President Ramey sent a similar email to recent IIA-Chicago graduates, titled "An Update to Recent Graduates of The Illinois Institute of Art - Chicago." Unlike the June 20 email to current students, the email to recent graduates disclosed that IIA-Chicago lost accreditation on January 20, 2018.

89. Upon information and belief, on June 21, 2018, IIA-Schaumburg President Ray sent substantially the same email to recent graduates of IIA-Schaumburg.

90. Upon information and belief, one or more John Doe defendants directed Presidents Ramey and Ray to send the June 21 emails to students.

91. On July 2, 2018, while students were still on break, DCEH announced that it was ceasing enrollment at IIA campuses and that all IIA campuses would close on December 28, 2018.

Defendants Continue to Mislead Students About IIA's Accreditation

92. Students did not discover the truth about IIA's loss of accreditation until, at the earliest, June 20, 2018, and in many cases, only after they returned to school after a break on July 9 or July 10, 2018.

93. The scene on the IIA-Chicago and IIA-Schaumburg campuses during the first days of the summer quarter was chaotic as students tried to learn what had happened with accreditation, what it meant for their past and future coursework, and what their options were in light of the school's pending closure.

94. On July 9 and 10, IIA-Chicago President Ramey held meetings with students to address the loss of accreditation and closing of the school, but could not provide satisfactory answers to students' questions about what these developments meant for their education and prospects of completing their degrees.

95. On July 10, 2018, President Ramey sent an email to students, stating in part:

> Thank you to those who took the time to meet today. One of the items of feedback in today's meeting was that you would like to hear from a member of DCEH leadership. Instead of our previously scheduled meetings for tomorrow, a member of the DCEH leadership team will be will be [sic] on campus tomorrow, July 11, to meet with you.

96. On July 11, 2018, DCEH Chief Operating Officer John Crowley flew from Phoenix, Arizona to Chicago to meet with IIA students and staff. Over the course of the day, he held multiple meetings with students and staff.

97. At those meetings, Mr. Crowley held himself out as speaking on behalf of the Dream Center.

98. During the July 11 meetings, Mr. Crowley made numerous false, misleading, deceptive, and conflicting statements to students, including that: (i) IIA was still accredited; (ii) IIA was likely to soon re-obtain accreditation; (iii) when IIA re-obtained accreditation, all credits earned during the period of candidacy would reflect such accreditation; and (iv) everything was "going to be okay" and "everyone is going to be accommodated."

99. At one meeting, a student asked why DCEH did not tell students for over two quarters about the loss of accreditation. Mr. Crowley responded that HLC "put us into what we call candidacy status, which means you're still accredited."

100. To the contrary, as set forth above, HLC had informed DCEH on January 20, 2018 that IIA "[wa]s not accredited."

101. Moments later, the same student stated to Mr. Crowley that IIA "is not accredited," that she had called HLC and HLC had informed her that the twenty-four credits she earned since January are "not accredited at all," and that "you should have informed us [about the loss of accreditation] immediately."

102. Mr. Crowley responded, "I get it, I get it, I get it, I get it. I'll take that. It's a good criticism."

103. During the same meeting, in response to a student demanding her money back because the school had lost accreditation, Mr. Crowley stated, "Listen. You are not listening.

I'm saying that if we get accreditation, and your credits are transferrable, then you didn't lose anything."

104. At a different July 11 meeting, Mr. Crowley stated that: "We were put onto candidacy status. We were under the impression it would be no problem, assume the accreditation, assume the school, assume everything . . . the fact that it is six months from February or five months from February, it blows our mind."

105. Despite stating that the five to six-month time period "blows our mind," Mr. Crowley knew, or should have known, that six months was the minimum amount of time IIA could be in candidacy status. In fact, Defendants were told that the process could take as long as four years.

106. At the same meeting, Mr. Crowley told students that "we've worked with the DOE, I've personally been to Washington, we have sat with the Undersecretary of Education, and we believe that everyone is going to be accommodated. They just have to run their process."

107. Minutes later, Mr. Crowley conceded that, since January 20, 2018, Defendants had been misrepresenting and omitting material facts to students regarding accreditation:

> Student: Why did the school fail to tell us that it's not accredited after January? You still need to inform your students. We are paying money.
>
> Crowley: Understood, understood. So the DOE has granted us Title IV, which means you are okay. HLC said we are gonna be okay. So we assumed we were gonna be okay.
>
> Student: . . . . How can you just think it is okay to not tell your students?
>
> Crowley: After the last three meetings, I don't think it is okay. But it is what we did.

108. Moments later, after explaining that she will have to retake over a year of coursework, the same student asked, "What are we supposed to do now?" Mr. Crowley

responded that "the best answer is that we are working with HLC and we think it is going to be okay."

109. Later during the same meeting, a different student asked, "What about reimbursement for the people from January moving forward?" Mr. Crowley responded, "I get it. We have two decisions. One, if we get the accreditation, everything is fine. If the literal asterisk comes along that says we are not going to get accredited, then we have to make a different decision. And then that opens up a whole other world in terms of finance."

110. At the meeting, Mr. Crowley recommended that students on track to graduate from IIA before the school closed in December 2018 stay at the school to do so.

111. On August 6, 2018, Defendants published an addendum to its IIA course catalogues that deleted the "we remain accredited" language from the accreditation statement. Regarding accreditation, the addendum provided:

> **Accreditation Statement**
>
> ***The following completely replaces the Institutional Accreditation statements on page 5 of the current catalog.***
>
> The Illinois Institute of Art is in transition during a change of ownership. We are a candidate school seeking accreditation under new ownership and our new non-profit status. Our students remain eligible for Title IV.

112. On or around November 7, 2018, HLC announced that IIA-Chicago and IIA-Schaumburg would not regain accreditation, but rather would remain on candidacy status through their announced December 28, 2018 closure date.

113. On November 8, 2018, the presidents of IIA-Chicago and IIA-Schaumburg sent identical emails to students explaining that "[w]e are extremely disappointed in this unexpected outcome and assure you we will continue to work with each of you to find the best path forward for your continued education." The emails further explained that "[s]tudents taking classes or

graduating during the candidacy period should know that while the institution remains in candidacy status, their courses or degrees are not accredited by HLC."

114. Upon information and belief, one or more John Doe defendants directed Presidents Ramey and Ray to send the November 8 emails to students.

115. All students who graduated or will graduate from IIA on or after January 20, 2018 will have graduated from an unaccredited school.

116. Official IIA transcripts from January 20, 2018 to the present now contain an addendum with the following disclaimer: "Effective January 20, 2018[,] The Illinois Institute of Art located in Chicago [and Schaumburg], Illinois has transitioned to being a candidate for accreditation after previously being accredited. Institute courses completed or degrees earned during the candidacy period are not accredited by HLC."

117. Upon information and belief, this disclaimer was not included in official transcripts before June 20, 2018.

118. All prospective employers or transfer schools that request official student transcripts for Named Plaintiffs or the class will receive this disclaimer.

119. From at least January 20, 2018 (if not earlier) to the present, Defendants' misrepresentations and omissions regarding IIA's accreditation were made willfully and intentionally in order to mislead students about the nature of the school's accreditation.

120. From January 20, 2018 to the present, Defendants have continued their participation in the Federal Direct Loan Program and continued to draw down Title IV funds under the HEA.

121. Although all IIA campuses are closing in 2018, DCEH and DCF continue to own and operate approximately twelve Art Institute campuses as well as multiple Argosy and South

University campuses that participate in the Federal Direct Loan Program and have neither announced closure dates nor ceased enrollment.

CLASS ACTION ALLEGATIONS

122. Named Plaintiffs bring this action on behalf of themselves and a class of all similarly situated individuals. The class is defined as "all persons who were first enrolled or remained enrolled at IIA-Chicago and/or IIA-Schaumburg on or any time after January 20, 2018, including students who were enrolled prior to January 20, 2018 and remained enrolled after that date, as well as students who first enrolled on or after that date."

123. Named Plaintiffs and class members are similarly situated for the purpose of asserting the claims alleged in this Complaint on a common basis.

124. A class action is a superior means, and the only practicable means, by which the Named Plaintiffs and the class members can challenge Defendants' conduct as applied to all students who attended IIA on or after January 20, 2018.

125. This action satisfies the numerosity, commonality, adequacy, and appropriateness requirements of the class action statute, 735 ILCS 5/2-801.

126. Defendants' representations and omissions have caused significant damage to all students who have taken out student loans or paid out of pocket to attend IIA since January 20, 2018.

127. Had Defendants followed HLC's directive and informed Named Plaintiffs in January 2018 that their "courses or degrees are not accredited by HLC and may not be accepted in transfer to other colleges and universities or recognized by prospective employers," Named Plaintiffs would have investigated options for continuing their education at an accredited school, rather than continuing to pay tuition and incur debt for unaccredited courses at IIA.

Numerosity – 735 ILCS 5/2-801(1)

128. The potential number of class members are so numerous that joinder would be impracticable. While the precise number of students enrolled at IIA on or after January 20, 2018 is known only to Defendants, there are well over 1,000 such students. *See* College Scorecard, United Stated Department of Education, *available at:* https://collegescorecard.ed.gov/search/?name=illinois%20institute%20of%20art%20&sort=salary:desc.

129. The precise number of class members can easily be determined through discovery.

Commonality – 735 ILCS 5/2-801(2)

130. The nature of the relief sought is common to all members of the class and common questions of law and fact exist as to all members of the class. These common questions of law and fact predominate over any questions affecting individual members of the class.

131. All members of the class have been subject to and affected by a uniform course of conduct in that all class members were enrolled at IIA during the period in which Defendants' unlawful conduct was ongoing.

132. These common legal and factual questions arise from Defendants' misrepresentations to, and concealments from, the entire IIA student body regarding the status of its accreditation starting on January 20, 2018. As alleged herein, these representations were widely disseminated on the school's website, in course catalogues and course catalogue addendums published online and available to all students, in enrollment agreements, and in emails to the student body, among other places.

133. The common questions of law and fact include, but are not limited to:

i. Whether Defendants misrepresented to students that IIA was an accredited institution on or after January 20, 2018;

ii. Whether, after January 20, 2018, Defendants failed to inform IIA students that IIA was no longer an accredited institution;

iii. Whether Defendants intended that IIA students rely upon the concealment, suppression, or omission of the fact that IIA was not an accredited institution;

iv. Whether Defendants' misrepresentations regarding IIA's accreditation constitute a deceptive act or practice under the ICFDPA;

v. Whether Defendants' omissions regarding IIA's accreditation constitute a deceptive act or practice under the ICFDPA;

vi. Whether Defendants' conduct is unfair under the ICFDPA such that it offends public policy; is immoral, unethical oppressive or unscrupulous; or causes substantial injury to consumers; *and*

vii. Whether Defendants owe a duty to students to refrain from providing false and misleading information.

Adequacy – 735 ILCS 5/2-801(3)

134. The Named Plaintiffs are adequate representatives of, and will fairly and adequately protect the interests of, the putative class because their interests in the vindication of the legal claims that they raise are entirely aligned with the interests of the other putative class members, who each have the same state law claims. Named Plaintiffs are members of the putative class and their interests coincide with, and are not antagonistic to, those of the other putative class members.

135. Named Plaintiffs are represented by counsel who are experienced in litigating complex consumer protection cases and class action matters in both state and federal courts and who have extensive knowledge on issues of higher education law, consumer protection, and student debt.

136. The interests of the members of the putative class will be fairly and adequately protected by the Named Plaintiffs and their attorneys.

Appropriateness – 735 ILCS 5/2-801(4)

137. Class action status is appropriate for the fair and efficient adjudication of this case because the Defendants have acted in the same unlawful manner with respect to all class members. A legal ruling concerning the unlawfulness of Defendants' representations and omissions since January 20, 2018 would vindicate the rights of every class member.

138. Due to the numerous members of the class and the existence of common questions of fact and law, a class action will serve the economies of time, effort, and expense as well as prevent possible inconsistent results.

139. Litigating individual lawsuits in the present case would be a waste of judicial resources and addressing the common issues in one action would aid judicial administration.

FACTUAL ALLEGATIONS CONCERNING NAMED PLAINTIFFS

Emmanuel Dunagan

140. Emmanuel Dunagan is 26 years old and has lived in Bellwood, IL at all times relevant to this complaint.

141. In December 2014, Mr. Dunagan was accepted into IIA-Chicago's illustration and design bachelor's degree program, which he started in January 2015. Mr. Dunagan has remained enrolled at IIA-Chicago from January 2015 to the present.

142. Mr. Dunagan did not learn that IIA-Chicago had lost its accreditation on January 20, 2018 until he returned to school for summer classes on or around July 9, 2018 and attended meetings with President Ramey.

143. At the time Mr. Dunagan learned that IIA-Chicago was not accredited, all that remained for him to complete his degree was an internship.

144. Mr. Dunagan investigated whether Columbia College would accept the credits that he earned at IIA-Chicago. Columbia College informed Mr. Dunagan that he would need to attend for approximately two additional years in order to obtain the same degree that he would obtain if he remained at IIA-Chicago through December 2018.

145. Mr. Dunagan chose to remain enrolled at IIA, as Mr. Crowley had recommended, and is currently finishing his degree. Mr. Dunagan is scheduled to graduate from IIA-Chicago in December 2018.

146. Defendants' conduct has severely diminished the value of Mr. Dunagan's IIA education and the degree that he is about to receive.

147. Mr. Dunagan's official IIA-Chicago transcript will contain an addendum with the following disclaimer: "Effective January 20, 2018[,] The Illinois Institute of Art located in Chicago, Illinois has transitioned to being a candidate for accreditation after previously being accredited. Institute courses completed or degrees earned during the candidacy period are not accredited by HLC."

148. Defendants' conduct has caused serious damage to Mr. Dunagan. For this year alone, DCEH estimated the IIA-Chicago cost of attendance to be $28,878 (living with parents) and $32,644 (living off campus).

149. Had Defendants followed HLC's directive and informed him in January 2018 that his "courses or degrees are not accredited by HLC and may not be accepted in transfer to other colleges and universities or recognized by prospective employers," Mr. Dunagan would have investigated options for continuing his education at an accredited school, rather than continuing to pay tuition and incur debt for unaccredited courses at IIA.

Jessica Muscari

150. Jessica Muscari is 30 years old and has lived in Wheaton, IL at all times relevant to this complaint.

151. In April 2015, Ms. Muscari enrolled in IIA-Chicago's illustration and design bachelor's degree program. Ms. Muscari remained enrolled at IIA-Chicago from April 2015 until she graduated in September 2018.

152. Ms. Muscari did not learn that IIA-Chicago had lost its accreditation on January 20, 2018 until she returned to school for summer classes on or around July 10, 2018.

153. When Ms. Muscari learned that IIA-Chicago had not been accredited since January 20, 2018, she needed two credits to graduate.

154. Nearly finished with her program, Ms. Muscari decided to remain enrolled at IIA-Chicago, as Mr. Crowley had recommended. Ms. Muscari graduated from IIA-Chicago in September 2018 and received high honors. Because she graduated while IIA-Chicago was not accredited, her diploma reflects graduation from an unaccredited institution.

155. Defendants' conduct has severely diminished the value of Ms. Muscari's IIA education and degree.

156. In addition, Ms. Muscari's official IIA-Chicago transcript contains an addendum with the following disclaimer: "Effective January 20, 2018[,] The Illinois Institute of Art located

in Chicago, Illinois has transitioned to being a candidate for accreditation after previously being accredited. Institute courses completed or degrees earned during the candidacy period are not accredited by HLC."

157. Defendants' conduct has caused serious damage to Ms. Muscari. For this year alone, DCEH estimated the IIA-Chicago cost of attendance to be $28,878 (living with parents) and $32,644 (living off campus).

158. Had Defendants followed HLC's directive and informed Ms. Muscari in January 2018 that her "courses or degrees are not accredited by HLC and may not be accepted in transfer to other colleges and universities or recognized by prospective employers," she would have investigated options for continuing her education at an accredited school, rather than continuing to pay tuition and incur debt for unaccredited courses at IIA.

Robert J. Infusino

159. Robert J. Infusino is 22 years old and has lived in Addison, IL at all times relevant to this complaint.

160. Mr. Infusino enrolled in IIA-Schaumburg's audio production bachelor's degree program in October 2015. Mr. Infusino remained enrolled at IIA-Schaumburg until he withdrew from the program on September 4, 2018.

161. Mr. Infusino did not learn that IIA-Schaumburg lost its accreditation on January 20, 2018 until on or around July 5, 2018, when he was first made aware of the June 20 email sent while he was on break, as well as newspaper articles about the loss of accreditation.

162. Upon returning to school on or around July 9, 2018, Mr. Infusino asked IIA-Schaumburg's financial aid office if he could get a refund for his unaccredited classes. He was told that the school was not issuing refunds.

163. Mr. Infusino also met with the registrar's office to ask for additional information and receive guidance about his options. The registrar did not have any additional information beyond what was communicated to students via email.

164. At the time Mr. Infusino learned that IIA-Schaumburg was not accredited, he was scheduled to graduate in June 2019.

165. Upon learning that IIA-Schaumburg had not been accredited since January 20, 2018, Mr. Infusino did not immediately know what to do. In order to keep making progress toward his degree, he remained enrolled in the school while he considered his options.

166. Mr. Infusino ultimately withdrew from IIA-Schaumburg on September 4, 2018.

167. Defendants' conduct has severely diminished the value of Mr. Infusino's IIA education.

168. Mr. Infusino's official IIA transcript contains an addendum with the following disclaimer: "Effective January 20, 2018[,] The Illinois Institute of Art located in [Schaumburg], Illinois has transitioned to being a candidate for accreditation after previously being accredited. Institute courses completed or degrees earned during the candidacy period are not accredited by HLC."

169. Defendants' conduct has caused serious damage to Mr. Infusino. For this year alone, DCEH estimated the IIA-Schaumburg cost of attendance to be $28,878 (living with parents) and $32,644 (living off campus).

170. Had Defendants followed HLC's directive and informed Mr. Infusino in January 2018 that his "courses or degrees are not accredited by HLC and may not be accepted in transfer to other colleges and universities or recognized by prospective employers," he would have

investigated options for continuing his education at an accredited school, rather than continuing to pay tuition and incur debt for unaccredited courses at IIA.

Stephanie Porreca

171. Stephanie Porreca is 28 years old and has lived in Wood Dale, IL at all times relevant to this complaint.

172. In July 2014, Ms. Porreca enrolled in IIA-Schaumburg's digital photography bachelor's degree program. Ms. Porreca remained enrolled at IIA-Schaumburg from July 2014 until she graduated in June 2018.

173. From January 20, 2018 until she graduated on June 16, 2018, Ms. Porreca was unaware that IIA-Schaumburg had lost its accreditation.

174. Ms. Porreca, along with numerous family members, attended her graduation ceremony on June 18, 2018. At no time during the graduation did Defendants mention that students were receiving diplomas from an unaccredited institution.

175. On June 20, 2018, just two days after her graduation ceremony, Ms. Porreca received an email from President Ray stating that the school was not accredited. This was the first time she learned that her school was not accredited.

176. The June 20, 2018 email did not disclose to Ms. Porreca that IIA-Schaumburg lost accreditation five months prior.

177. Ms. Porreca ultimately learned that IIA-Schaumburg lost accreditation in January 2018 when she was made aware, on or around July 8, 2018, of the June 19 *Post-Gazette* article.

178. Ms. Porreca was stunned to learn that, because she had graduated while IIA-Schaumburg was not accredited, her diploma reflected graduation from an unaccredited institution.

179. Defendants' conduct has severely diminished the value of Ms. Porreca's IIA education and degree.

180. Ms. Porreca's official IIA transcript contains an addendum with the following disclaimer: "Effective January 20, 2018[,] The Illinois Institute of Art located in [Schaumburg], Illinois has transitioned to being a candidate for accreditation after previously being accredited. Institute courses completed or degrees earned during the candidacy period are not accredited by HLC."

181. Defendants' conduct has caused serious damage to Ms. Porreca. For this year alone, DCEH estimated the IIA-Schaumburg cost of attendance to be $28,878 (living with parents) and $32,644 (living off campus).

182. Had Defendants followed HLC's directive and informed Ms. Porreca in January 2018 that her "courses or degrees are not accredited by HLC and may not be accepted in transfer to other colleges and universities or recognized by prospective employers," she would have investigated options for continuing her education at an accredited school, rather than continuing to pay tuition and incur debt for unaccredited courses at IIA.

COUNT I
Deceptive Practices Under the ICFDPA – Misrepresentations of Material Fact
(All Defendants)

183. Plaintiffs repeat the allegations in the foregoing paragraphs and incorporate them as though fully set forth herein.

184. The ICFDPA makes it unlawful to employ:

> Unfair methods of competition and unfair or deceptive acts or practices, including but not limited to the use or employment of any deception fraud, false pretense, false promise, misrepresentation or the concealment, suppression or omission of any material fact, with intent that others rely upon the concealment, suppression or omission of such material fact . . . in the conduct of any trade or commerce.

815 ILCS 505/2.

185. As set forth above, Defendants engaged in a course of trade or commerce that constitutes deceptive acts or practices declared unlawful under Section 2 of the ICFDPA, 815 ILCS 505/2.

186. These deceptive acts or practices include, but are not limited to, misrepresentations to Named Plaintiffs and the class that IIA "remain[ed] accredited" by HLC after January 20, 2018.

187. These misrepresentations were contained in widely distributed materials received and reviewed by Named Plaintiffs and the class, including in course catalogues, course catalogue addendums, enrollment agreements entered into on or after January 20, 2018, and the IIA-Chicago and IIA-Schaumburg websites.

188. These deceptive acts or practices also include, but are not limited to, misrepresentations to Named Plaintiffs and the class that IIA was likely to reobtain accreditation and, when it did, all credits earned during the period of candidacy would reflect such accreditation.

189. Defendants intended for Named Plaintiffs and the class to rely upon these misrepresentations.

190. Defendants' violations took place repeatedly over the course of at least five months and were designed to mislead and deceive students regarding material facts about IIA.

191. As a result of Defendants' conduct, Named Plaintiffs and the class have suffered, and will continue to suffer, actual harm in the form of debt incurred in order to attend IIA, costs incurred to attend IIA, lost wages, damage to credit, loss of eligibility for financial aid programs, and a diminution in the value of their degrees, among other harms.

192. Defendants have therefore violated the ICFDPA, 815 ILCS 505/2, and Named Plaintiffs and the class have been damaged in an amount to be determined by the trier of fact.

REQUESTED RELIEF

WHEREFORE, Named Plaintiffs individually, and on behalf of the putative class, respectfully request that this Court enter judgment in their favor and grant the following relief after a trial on the merits:

(1) Finding that this action satisfies the prerequisites for maintenance as a class action set forth in 735 ILCS 5/2-801, *et seq.*, and certifying the class as defined herein;

(2) Designating Named Plaintiffs as representatives of the class and the undersigned as class counsel;

(3) Entering judgment in favor of Named Plaintiffs and the class and against Defendants;

(4) Awarding Named Plaintiffs and the class actual damages in an amount to be proven at trial;

(5) Awarding Named Plaintiffs and the class punitive damages under the ICFDPA;

(6) Awarding Named Plaintiffs and the class reasonable attorney's fees and costs under the ICFDPA; *and*

(7) Granting all such further and other relief as the Court deems just and appropriate.

COUNT II
Deceptive Practices Under the ICFDPA – Omissions of Material Fact
(All Defendants)

193. Plaintiffs repeat the allegations in the foregoing paragraphs and incorporate them as though fully set forth herein.

194. The ICFDPA makes it unlawful to employ:

> Unfair methods of competition and unfair or deceptive acts or practices, including but not limited to the use or employment of any deception fraud, false pretense,

> false promise, misrepresentation or the concealment, suppression or omission of any material fact, with intent that others rely upon the concealment, suppression or omission of such material fact . . . in the conduct of any trade or commerce.

815 ILCS 505/2.

195. As set forth above, Defendants have engaged in a course of trade or commerce that constitutes deceptive acts or practices declared unlawful under Section 2 of the ICFDPA, 815 ILCS 505/2.

196. The deceptive acts or practices include, but are not limited to, the failure to disclose to Named Plaintiffs and the class that IIA lost accreditation on January 20, 2018.

197. Defendants' violations took place repeatedly over the course of at least five months and were designed to conceal, suppress, and omit material facts regarding IIA's accreditation from Named Plaintiffs and the class.

198. As a result of Defendants' conduct, Named Plaintiffs and the class have suffered, and will continue to suffer, actual harm in the form of debt incurred in order to attend IIA, costs incurred to attend IIA, lost wages, damage to credit, loss of eligibility for financial aid programs, and a diminution in the value of their degrees, among other harms.

199. Defendants have therefore violated the ICFDPA, 815 ILCS 505/2, and Named Plaintiffs and the class have been damaged in an amount to be determined by the trier of fact.

REQUESTED RELIEF

WHEREFORE, Named Plaintiffs individually, and on behalf of the putative class, respectfully request that this Court enter judgment in their favor and grant the following relief after a trial on the merits:

(1) Finding that this action satisfies the prerequisites for maintenance as a class action set forth in 735 ILCS 5/2-801, *et seq.*, and certifying the class as defined herein;

(2) Designating Named Plaintiffs as representatives of the class and the undersigned as class counsel;

(3) Entering judgment in favor of Named Plaintiffs and the class and against Defendants;

(4) Awarding Named Plaintiffs and the class actual damages in an amount to be proven at trial;

(5) Awarding Named Plaintiffs and the class punitive damages under the ICFDPA;

(6) Awarding Named Plaintiffs and the class reasonable attorney's fees and costs under the ICFDPA; *and*

(7) Granting all such further and other relief as the Court deems just and appropriate.

COUNT III
Unfairness Under the ICFDPA
(All Defendants)

200. Plaintiffs repeat the allegations in the foregoing paragraphs and incorporate them as though fully set forth herein.

201. To determine whether conduct is unfair, Illinois courts consider whether the practice offends public policy; is immoral, unethical, oppressive or unscrupulous; or causes substantial injury to customers.

202. A practice offends public policy when it violates a standard of conduct contained in an existing statute, regulation, or common law doctrine that typically applies to such a situation.

203. The Higher Education Act and its implementing regulations contain a public policy against false, erroneous, or misleading statements—known as "substantial misrepresentations"—about the nature and extent of an institution's accreditation. *See, e.g.,* 34 C.F.R § 668.71, 668.72(a).

204. The Illinois Administrative Code also contains a public policy against false, erroneous, or misleading statements to students and the public regarding, among other things, "material facts concerning the institution and the program or course of instruction" that are "likely to affect the decision of the student to enroll." Ill. Adm. Code tit. 23 § 1030.60(a)(7).

205. In addition, pursuant to HLC policy, an institution must "portray[] clearly and accurately to the public its accreditation status with national, specialized, and professional accreditation agencies as well as with the Higher Learning Commission, including a clear distinction between Candidate or Accredited status and an intention to seek status." *See* HLC Policy CRRT.A.10.010(7).

206. By misrepresenting the nature and extent of IIA's institutional accreditation, Defendants are therefore in violation of the public policy reflected in the regulations implementing the Higher Education Act, the Illinois Administrative Code, and HLC policy.

207. Defendants' misrepresentations and omissions regarding the nature and extent of IIA's accreditation therefore offend public policy and are unfair under the ICFDPA.

208. Defendants' misrepresentations and omissions are also immoral, unethical, and oppressive under the ICFDPA.

209. Because Defendants concealed the loss of accreditation from Named Plaintiffs and the class and affirmatively misrepresented that IIA "remain[ed] accredited," Named Plaintiffs and the class had no reason to know or suspect that their credits were unaccredited.

210. Once they learned in June or July 2018 that IIA had lost accreditation in January 2018, there was no remedy by which they could obtain accreditation for their previous course work.

211. Defendants' misconduct also caused substantial injury to consumers. As explained by HLC, credits earned by students during the candidacy period "may not be accepted in transfer to other colleges and universities or recognized by prospective employers."

212. Not only were Named Plaintiffs harmed by Defendants' conduct, but so too were all students enrolled at IIA campuses from January 20, 2018 to the present. Upon information and belief, Defendants DCEH, DCF, and John Does 1-10 engaged in the exact same misrepresentations and omissions at the Art Institute of Colorado and Art Institute of Michigan, which were likewise placed on candidacy status by HLC on January 20, 2018.

213. Defendants' conduct therefore had the potential to and did cause substantial injury to large numbers of consumers.

REQUESTED RELIEF

WHEREFORE, Named Plaintiffs individually, and on behalf of the putative class, respectfully request that this Court enter judgment in their favor and grant the following relief after a trial on the merits:

(1) Finding that this action satisfies the prerequisites for maintenance as a class action set forth in 735 ILCS 5/2-801, *et seq.*, and certifying the class as defined herein;

(2) Designating Named Plaintiffs as representatives of the class and the undersigned as class counsel;

(3) Entering judgment in favor of Named Plaintiffs and the class and against Defendants;

(4) Awarding Named Plaintiffs and the class actual damages in an amount to be proven at trial;

(5) Awarding Named Plaintiffs and the class punitive damages under the ICFDPA;

(6) Awarding Named Plaintiffs and the class reasonable attorney's fees and costs under the ICFDPA; *and*

(7) Granting all such further and other relief as the Court deems just and appropriate.

COUNT IV
Negligent Misrepresentation
(Corporate Defendants)

214. Plaintiffs repeat the allegations in the foregoing paragraphs and incorporate them as though fully set forth herein.

215. Defendants, as the providers of educational services, represented that IIA was an accredited institution of higher education when, in fact, IIA had not been accredited since January 20, 2018.

216. Defendants also represented that if IIA re-obtained HLC accreditation, all credits earned during the period of candidacy would be deemed accredited.

217. At the time of these representations, Defendants knew or should have known that they were false. Alternatively, Defendants made them without knowledge of their truth or veracity.

218. Defendants owed Named Plaintiffs and the class a duty to refrain from providing false and misleading information.

219. Defendants breached that duty by misrepresenting and omitting material facts about IIA's accreditation status to Named Plaintiffs and the class.

220. These negligent misrepresentations, upon which Named Plaintiffs and class members reasonably and justifiably relied, were intended to, and actually did induce, Named Plaintiffs and the class to remain enrolled at IIA.

221. Had Defendants followed HLC's directive and informed Named Plaintiffs and the class in January 2018 that their "courses or degrees are not accredited by HLC and may not be accepted in transfer to other colleges and universities or recognized by prospective employers," they would have investigated options for continuing their education at an accredited school, rather than continuing to pay tuition and incur debt for unaccredited courses at IIA.

222. Defendant's negligent misrepresentation caused damage to Named Plaintiffs and the class, who are entitled to damages and other legal and equitable relief.

REQUESTED RELIEF

WHEREFORE, Named Plaintiffs individually, and on behalf of the putative class, respectfully request that this Court enter judgment in their favor and grant the following relief after a trial on the merits:

(1) Finding that this action satisfies the prerequisites for maintenance as a class action set forth in 735 ILCS 5/2-801, *et seq.*, and certifying the class as defined herein;

(2) Designating Named Plaintiffs as representatives of the class and the undersigned as class counsel;

(3) Entering judgment in favor of Named Plaintiffs and the class and against Defendants;

(4) Awarding Named Plaintiffs and the class actual damages in an amount to be proven at trial; *and*

(5) Granting all such further and other relief as the Court deems just and appropriate.

COUNT V
Fraudulent Concealment
(Corporate Defendants)

223. Plaintiffs repeat the allegations in the foregoing paragraphs and incorporate them as though fully set forth herein.

224. For over five months, Defendants concealed from Named Plaintiffs and the class that IIA had lost its status as an accredited institution on January 20, 2018.

225. This information was material to students in deciding whether to enroll and remain enrolled at IIA. As HLC explained in its January 20, 2018 statement: "Students taking classes or graduating during the candidacy period should know that their courses or degrees are not accredited by HLC and may not be accepted in transfer to other colleges and universities or recognized by prospective employers."

226. Whether courses or degrees are accredited and "accepted in transfer to other colleges and universities or recognized by prospective employers" is highly material to students' decision to enroll and remain enrolled in an institution of higher education.

227. Defendants had a duty to inform Named Plaintiffs and the class about IIA's loss of accreditation.

228. HLC's January 20, 2018 statement "require[ed] that the Institutes provide proper advisement and accommodations to students in light of this action, which may include, if necessary, assisting students with financial accommodations or transfer arrangements if requested."

229. In addition, under United States Department of Education regulations, an institution of higher education receiving federal funds under Title IV of the Higher Education Act is prohibited from making "substantial misrepresentation[s] about the nature of its educational program, its financial charges, or the employability of its graduates." 34 C.F.R. § 668.71.

230. A misrepresentation concerning "the nature of an eligible institution's educational program" explicitly includes, but is not limited to "false, erroneous or misleading statements

concerning - (a) The particular type(s), specific source(s), nature and extent of its institutional, programmatic, or specialized accreditation." 34 C.F.R. § 668.72(a).

231. The Illinois Administrative Code also requires Defendants to "accurately describe" all "material facts concerning the institution and the program or course of instruction as are likely to affect the decision of the student to enroll." Ill. Adm. Code tit. 23 § 1030.60(a)(7) (2012).

232. Similarly, HLC policy requires an institution to "portray[] clearly and accurately to the public its accreditation status with national, specialized, and professional accreditation agencies as well as with the Higher Learning Commission, including a clear distinction between Candidate or Accredited status and an intention to seek status." *See* HLC Policy CRRT.A.10.010 (7).

233. By concealing the loss of accreditation, Defendants intended to induce a false belief that there had been no material change to the school's accreditation status and, by extension, no material change to how prospective employers and other institutions of higher education would value IIA credits.

234. Due to Defendants' fraudulent concealment, as well as Defendants' affirmative representations that IIA "remain[ed] accredited," Named Plaintiffs and the class had no reason to seek out alternative sources of information regarding IIA's accreditation status.

235. Named Plaintiffs and the class justifiably relied upon Defendants' silence as a representation that there had been no material change to their school's accreditation status and, by extension, no material change to how prospective employers and other institutions of higher education would value their credits and degrees.

236. Had Defendants followed HLC's directive and informed Named Plaintiffs and the class in January 2018 that their "courses or degrees are not accredited by HLC and may not be accepted in transfer to other colleges and universities or recognized by prospective employers," they would have investigated options for continuing their education at an accredited school, rather than continuing to pay tuition and incur debt for unaccredited courses at IIA.

237. As a result of Defendants' conduct, Named Plaintiffs and the class have suffered, and will continue to suffer, actual harm in the form of debt incurred in order to attend IIA, costs incurred to attend IIA, lost wages, damage to credit, loss of eligibility for financial aid programs, and a diminution in the value of their degrees, among other harms.

REQUESTED RELIEF

WHEREFORE, Named Plaintiffs individually, and on behalf of the putative class, respectfully request that this Court enter judgment in their favor and grant the following relief after a trial on the merits:

(1) Finding that this action satisfies the prerequisites for maintenance as a class action set forth in 735 ILCS 5/2-801, *et seq.*, and certifying the class as defined herein;

(2) Designating Named Plaintiffs as representatives of the class and the undersigned as class counsel;

(3) Entering judgment in favor of Named Plaintiffs and the class and against Defendants;

(4) Awarding Named Plaintiffs and the class actual damages in an amount to be proven at trial;

(5) Awarding Named Plaintiffs and the class punitive damages; *and*

(6) Granting all such further and other relief as the Court deems just and appropriate.

Respectfully Submitted,

/s/ Daniel A. Edelman

Daniel A. Edelman
Cassandra P. Miller
EDELMAN, COMBS, LATTURNER & GOODWIN, LLC
20 South Clark Street, Suite 1500
Chicago, IL 60603-1824
(312) 739-4200
(312) 419-0379 (FAX)
Email address for service: courtecl@edcombs.com
Atty. No. 41106 (Cook)

Alexander S. Elson* **
Eric Rothschild **
NATIONAL STUDENT LEGAL DEFENSE NETWORK
1015 15th Street NW, Suite 600
Washington D.C. 20005
alex@nsldn.org
eric@nsldn.org
www.nsldn.org
*(Member of New York Bar; practicing under supervision of organization principals while D.C. Bar application pending)
** Pro Hac Vice motions forthcoming

CERTIFICATE OF SERVICE

I, Daniel A. Edelman, hereby certify that on December 6, 2018, or as soon as service may be effectuated, I had a copy of the foregoing document served by process server on each defendant.

/s/ Daniel A. Edelman
Daniel A. Edelman

Daniel A. Edelman
Cathleen M. Combs
Cassandra P. Miller
EDELMAN, COMBS, LATTURNER & GOODWIN, LLC
20 South Clark Street, Suite 1500
Chicago, IL 60603-1824
(312) 739-4200
(312) 419-0379 (FAX)
Email address for service: courtecl@edcombs.com
Atty. No. 41106 (Cook)

EXHIBIT B
[Pages 1-9 and 41-44]

THIRD ANNUAL REPORT OF THE SETTLEMENT ADMINISTRATOR UNDER THE CONSENT JUDGMENTS WITH EDUCATION MANAGEMENT CORPORATION (EDMC) AS SUCCEEDED BY DREAM CENTER EDUCATION HOLDINGS

Thomas J. Perrelli
Settlement Administrator
Jenner & Block LLP
1099 New York Avenue, NW
Washington, DC 20001

October 1, 2017 – September 30, 2018

EDMC – Third Settlement Administrator Report Outline

I. INTRODUCTION

A. Consent Judgment and Administrator

This is the Third Annual Report prepared by the Settlement Administrator in connection with the 2015 settlements between Education Management Corporation ("EDMC") and 39 individual states and the District of Columbia (collectively, "the Consent Judgment") to resolve consumer protection claims arising out of EDMC's recruitment and enrollment practices. It is also the first report that describes the company's operations and compliance efforts under entirely new management: In October 2017, EDMC sold substantially all of EDMC's assets to Dream Center Education Holdings, LLC ("DCEH"), an educational affiliate of the Dream Center Foundation ("Dream Center"),[1] a Los Angeles-based non-profit organization that provides a variety of social and religious services to individuals in difficult situations.

The Consent Judgment imposes a variety of terms that bound EDMC and that now bind DCEH.[2] Some of the terms required action in a compressed period of time, like the Consent Judgment's requirement that the company forgive the institutional debts of certain students within 90 days of the Consent Judgment's effective date.[3] Other requirements require the company to provide certain consumer protections for periods of seven years, like maintaining a call monitoring system,[4] or twenty years, like providing a single-page disclosure sheet that provides specified information to prospective students.[5]

The Consent Judgment specifies that the Administrator's term is to last three years,[6] but the Attorneys General may extend that term for up to two additional years if there is "a failure by [DCEH] to achieve and maintain substantial compliance with the substantive provisions of the Consent Judgment."[7] This Report is the Administrator's third and final report of the three-year term, and is based on the monitoring of calls recorded in the admissions process, reviews of marketing material, job data, and other materials, rounds of formal employee interviews in May and August 2018, ongoing discussions with compliance personnel, reviews by third-party consultants, participation in EDMC trainings, observations of team meetings, and mystery shops. At times during the course of this Consent Judgment, the Administrator has also received unsolicited information from individuals involved with the company or its schools, through the Administrator's website, complaints forwarded by State Attorneys General, and other channels, and the Administrator has investigated issues arising from that information.

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[1] Dream Center Education Holdings, LLC, is the affiliate that acquired the schools in the transaction, which closed October 17, 2017.
[2] *See* Consent Judgment ¶ 134.
[3] Consent Judgment ¶ 120-21.
[4] Consent Judgment ¶ 95.
[5] Consent Judgment ¶¶ 56, 124.
[6] Consent Judgment ¶ 38.
[7] Consent Judgment ¶ 49.

B. Summary of Findings

1. The Transition to DCEH

As described in prior reports, the first year of the Consent Judgment was characterized by significant investment in compliance infrastructure and efforts at pushing that infrastructure and a revamped culture of compliance into the outer reaches of a large and diffuse organization. In the second year of the Consent Judgment, progress somewhat stagnated: EDMC was clearly struggling financially and preparing to be sold; while the company was largely able to maintain the status quo, it was unable to invest in new initiatives, and senior compliance personnel left in advance of a transition.

This third year has been dominated by a major shift in compliance culture and approach from DCEH and its new management. The Dream Center Foundation has described the new educational endeavor as an expansion of the services that the Foundation provides to individuals in transition, and consistent with that mission, is transitioning the schools from for-profit to non-profit status. That transition is being overseen a management team with a history of for-profit endeavors. DCEH leadership is clearly driven to save what they believe to be a business at serious risk of failure – one they believe to be worse off than they expected or were led to understand at the acquisition – and have found limited capital available to invest in its long-term compliance future.

With respect to the core issues of compliance at the heart of the Consent Judgment, the third year has been characterized by two distinct periods: a very rocky period in the first half of the year, raising new and troubling issues, followed by signs of improvement after a restructuring of the compliance team in August and September 2018. Had that significant change of direction not occurred, the Administrator has no doubt that the conclusions of this report would be dire. Since August, there have been positive signs of improvement, but the critical question is whether DCEH leadership will support continued compliance improvements going forward.

The goal of the Consent Judgment no doubt was to bring about significant compliance reforms at EDMC that would last far beyond the term of the Settlement Administrator. There have been important changes that have eliminated or at least reduced the incidence of consumer protection issues that led the state Attorneys General to begin investigating in the first place. But the company is at an inflection point; there remains real uncertainty about whether the progress it has made will continue into the future or whether the company, under DECH's leadership, will backslide.

2. Results

The change in management has brought several changes in results.

Call monitoring. First, there is one area in which the new management has not changed EDMC's prior results, and which is an unqualified success of the Consent Judgment: DCEH has maintained the call monitoring system required by the Consent Judgment, randomly listens to a meaningful number of calls to identify violations and training opportunities, and has, for the most part, eliminated the incidence of high-pressure, abusive, or deceptive sales tactics that characterized EDMC and the industry in the years prior to the Consent Judgment. With

occasional inaccuracies that are best described as isolated, admissions and financial services representatives are providing accurate, comprehensive information to the prospective students whom they are attempting to enroll.[8] The call monitoring system is a critical component of the compliance architecture, and the focus of the state Attorneys General on that system has paid significant dividends.

Other infrastructure investments required by the Consent Judgment have also been beneficial. Prospective students are in a position to make better-informed decisions as a result of the Single-Page Disclosure Sheets[9] and Electronic Financial Impact Portal[10] that EDMC and DCEH have made available. And early in the Consent Judgment, EDMC successfully implemented the institutional debt forgiveness program that the Consent Judgment required.[11]

Outside these areas, however, the third year of the Consent Judgment has raised new and problematic issues that could not easily be addressed through training, job aids, and modifications to policies and procedures. As discussed further below, the Administrator identified three incidents constituting substantial non-compliance with the Consent Judgment and requiring corrective action plans.

Woz U. In March 2018, DCEH's Art Institutes announced a partnership with a for-profit educational entity – also controlled by DCEH leadership – called Woz U. The partnership contemplated a 12-week, full-time, intensive software coding "boot camp" under the Woz U brand. From a Consent Judgment perspective, DCEH provided or endorsed misleading information to prospective students regarding the nature of the partnership (whether an Ai program or something else), the status that completers of the Woz U boot camp would obtain (whether "graduates" or something else), and the job placement successes that previous completers had enjoyed. Apart from the Consent Judgment, the arrangement raised questions about DCEH leadership's use of their new company's *non-profit* status to benefit their separate *for-profit* projects. Ultimately, DCEH agreed that it would not proceed with Woz U. It is now separately developing a different suite of "boot camp" offerings, developed entirely in-house.[12]

Gainful Employment. Department of Education regulations require that for-profit schools provide significantly more disclosures than non-profit schools, including clear and conspicuous warnings for degree programs that fail to meet minimum "Gainful Employment" requirements. While DCEH is organized as a non-profit entity for tax purposes, the Department of Education had not approved the transition to non-profit status for Department of Education regulatory purposes. Accordingly, DCEH should have been making all of the Gainful Employment disclosures – including clear warnings for programs that had failed – required of for-profit schools. While aware of its formal regulatory position as a for-profit school, DCEH elected to make the narrower disclosures required of non-profit schools. DCEH explained that it did so because the Department of Education had signaled that it *would* approve the transition to non-profit status, making enforcement against DCEH unlikely for making only the narrower

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[8] More information regarding DCEH's call monitoring capabilities is available beginning on page 17, below.
[9] More information regarding the Single-Page Disclosure Sheets is available beginning on page 38, below.
[10] More information regarding the Electronic Financial Impact Portal is available beginning on page 58, below.
[11] More information regarding the institutional debt forgiveness program is available beginning on page 56, below.
[12] More information regarding the Woz U issue is available beginning on page 21, below.

disclosures during the transition. DCEH ultimately agreed to post all of the disclosures required of for-profit schools, pending a decision by the Department of Education.[13]

Accreditation Disclosures. On January 20, 2018, the Higher Learning Commission ("HLC") downgraded the status of the Illinois Institute of Art and the Art Institute of Colorado from "accredited" to "candidate" – a move that, in HLC practice, means that the schools were unaccredited. DCEH did not inform students that the schools had lost their accreditation for several months – during which time students registered for additional terms and incurred additional debts, for credits that were significantly less likely to transfer to other schools and towards a degree that was to have limited value. DCEH explained that it disagreed with and was appealing HLC's decision, and hoped to have the accreditation reinstated retroactive to January 20. Whatever conclusions are reached regarding DCEH's status under the Consent Judgment on other issues, DCEH should not be said to be in substantial compliance with the Consent Judgment until it completes the corrective actions necessary to resolve this issue.

While not itself a violation of the Consent Judgment, the "tone" that new DCEH management set upon arrival was also distinctly different from the tone set by the new management's predecessors. DCEH leadership indicated that under EDMC, Risk and Compliance had too much influence on the business. The newly installed officer called a key compliance team, the Business Practices Committee, the "Business *Prevention* Committee" – in a meeting with the committee itself. The CEO accused the compliance team of being "the place where everything goes to die." Employees who identified compliance questions and risks were not thanked, but accused of being obstructionist. The new tone was one that suggested compliance was a burden, not a critical element of the company's mission.[14]

Concerns about these issues have been a topic of significant discussion between DCEH leadership and the Administrator. Importantly, there have been signs of improvement in DCEH's compliance efforts over the final months of this review period. The company hired a new Senior Vice President of Compliance and Regulatory Affairs, reporting to the General Counsel and the Chief Academic Excellence Officer. The company has begun working more proactively to raise compliance issues. Where the company had initially, and implausibly, denied violating relevant requirements, DCEH has begun implementing corrective action plans. And the company's new Chief Marketing Officer has developed plans to dramatically reduce DCEH's reliance on some of the industry's more problematic recruiting tactics.

The change in tone and attention to compliance following the restructuring was necessary. But the unevenness of DCEH's commitment to compliance over the past year does not provide confidence that DCEH has truly turned the corner for the future. If the compliance team continues to operate as it has in the last few months and is given the freedom, authority, and support necessary to do its job, there is a basis for optimism.

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[13] More information regarding the Gainful Employment issue is available beginning on page 26, below.

[14] Issues regarding tone are addressed throughout the report, including in a focused discussion beginning on page 11, below.

3. Concerns Looking Forward

As this third review period comes to a close, it is worth looking ahead. There are a number of areas in which DCEH's recent history suggests that backsliding is at least a possibility.

First, notwithstanding improvements in recent months, DCEH's commitment to a culture of compliance is uncertain. While DCEH hired a senior compliance manager, many of the challenges over the past year have been driven by senior leadership; even the strongest Risk and Compliance department cannot change a company whose employees doubt the leadership's commitment to compliance. Time will tell whether the compliance team receives the institutional support that it needs, whether leadership promotes additional initiatives that are flawed from a compliance perspective, whether the organization resists them, and how leadership responds.

Second, DCEH is still in the process of completing a corrective action plan that the Administrator required for violation of the Consent Judgment. As a result of DCEH's failure to advise students that certain schools had lost their accreditation on January 20, certain students stayed in the unaccredited schools, incurring additional debts to obtain credits that were less likely to transfer or a degree that was worth less than they expected. The Administrator has asked DCEH to prepare a corrective action plan to assist the affected students. While DCEH is appealing the accreditation decision at issue, and a decision is unlikely before the Administrator's term expires on December 31, 2018, DCEH is aware that the Administrator will expect it to provide and complete a corrective action plan if the appeal is unsuccessful.

Third, DCEH announced in July 2018 that for financial reasons, it would be closing thirty of its schools. The closures would affect about half of DCEH's total schools and about a quarter of its total enrollment, and would have significant consequences for students. As DCEH encourages students at these teach-out locations to enroll in other DCEH schools, it must provide accurate and materially complete information to students. In the initial steps of the closures, the Administrator has worked to ensure that DCEH informs students at these schools of the Department of Education's Closed School Discharge program, through which students at closed schools who meet certain criteria can apply to have their federal loans forgiven. DCEH is still working to inform students at some of these schools of the actual date on which their schools will close, which can be a key piece of information for students considering applying for a Closed School Discharge. As the teach-outs proceed, the accurate and complete communication required by the Consent Judgment will be important in helping these students make the choices that are best for them.

Fourth, the issue of DCEH and its non-profit status will continue to require scrutiny. The abandoned Woz U initiative would have involved DCEH, the non-profit, making payments to a for-profit entity controlled by DCEH's own leadership. Perhaps it was a sensible business or educational arrangement, but the rationale for it was by no means clear, and the legal and appearance issues of personal benefit to the management of the non-profit were cause for serious concern. While DCEH decided not to move forward with the Woz U initiative, DCEH also indicated that it would consider other arrangements going forward, some of which might include

contracting with for-profit entities for substantial services. Such efforts in the future would merit close scrutiny by the Dream Center Foundation, the DCEH Board, and the Attorneys General.

Fifth, while one of the DCEH Consent Judgment's successes has been the accuracy of the data and nature of the discussions that DCEH representatives provide prospective students, there are reasons to be vigilant going forward. With respect to the data, there are concerns in the company that DCEH is not adequately investing in its data reporting infrastructure, and over time, the information will become less accurate. With respect to the nature of the discussions that admissions representatives have with students, the Administrator has been encouraged by the Risk and Compliance team's shift towards random call monitoring over this review period, and would want to see call monitoring proceed at present levels or higher.

Sixth, DCEH has laid out a three-year goal of nearly eliminating its use of third-party lead generators. These vendors are difficult to monitor and have caused compliance challenges for DCEH, EDMC, and others in the industry for years. DCEH's new Chief Marketing Officer believes that reducing its reliance on these vendors will give the company better control over how its brand is perceived, and lead to better, more cost-effective marketing. It is also worth noting that at schools that have eliminated the use of third-party lead generators entirely, they have saved substantially on the large compliance infrastructure that that marketing channel requires. Reducing reliance would be beneficial from a compliance perspective – but it is worth noting that at the beginning of the Consent Judgment, EDMC also laid out a three-year plan along similar lines. Reducing such reliance is difficult.

II. DCEH

A. Consent Judgment Background

1. EDMC and the Consent Judgment

At the time of the November 2015 Consent Judgment with the state Attorneys General, EDMC was one of the largest for-profit providers of post-secondary education in the country. Formerly a public company, EDMC had delisted from the NASDAQ in 2014, eighteen years after its first public offering. At the time of the Consent Judgment, EDMC claimed to manage 109 locations in 32 U.S. states and in Canada and serve over 90,000 students in its four separate brands, or systems: The Art Institutes (Ai), Argosy University, Brown Mackie College, and South University.

EDMC became the subject of several state investigations beginning in 2010. Over a two-and-a-half year period, EDMC received subpoenas from the Attorneys General of Florida, Kentucky, New York, Colorado, and Massachusetts.[15] The subpoenas were followed by requests for information from thirteen states in January 2014, with the Pennsylvania Attorney General's office serving as the states' principal point of contact.[16] Following more than a year of subsequent discussions, EDMC entered into a settlement with 39 states and the District of Columbia to resolve consumer protection claims arising out of its recruiting and enrollment

[15] *See* Education Management Corporation, Form 10-K (Oct. 14, 2014) at 36.
[16] *See* Education Management Corporation, Form 10-K (Oct. 14, 2014) at 36.

practices. The settlement was resolved through nearly identical consent judgments entered in the various states,[17] referred to in this Report as the Consent Judgment.

The Consent Judgment appointed an independent Settlement Administrator to monitor EDMC's compliance with the Consent Judgment's requirements and issue annual reports. The Consent Judgment imposes requirements on EDMC and, as discussed below, successor companies for varying number of years: seven years of maintaining a call recording system,[18] twenty years of most other requirements.[19]

2. The Dream Center Transaction

At the beginning of this review period, EDMC closed a sale of substantially all of its assets to Dream Center Education Holdings, LLC ("DCEH"), an educational affiliate of the Dream Center Foundation ("Dream Center"),[20] a Los Angeles-based non-profit organization that provides a variety of social and religious services to individuals in difficult situations. DCEH announced that it would convert the EDMC schools into "community focused not-for-profit educational institutions" that, among other things, provide educational opportunities for Dream Center volunteers and the recipients of its services.[21] DCEH leadership has also discussed building a stronger connection between its programs and the private employers with whom DCEH hopes to place graduates, through redesigned academic offerings and partnerships with prospective employers.

That sale to DCEH is one part of an even longer period of transition. In the years since the Consent Judgment was entered, EDMC had sold or closed several of its schools, including the entire Brown Mackie system, and had been in the market for a purchaser for some period before the Dream Center announcement. From a compliance perspective, the period during this uncertainty meant that following significant initial investments at the Consent Judgment's beginning, there was little investment in proactive compliance initiatives and an otherwise effective compliance staff. This was the situation that DCEH faced when it acquired EDMC's assets.

B. DCEH

1. New Management

With the change in ownership came a change in management. DCEH installed a new leadership team. Its new CEO, Brent Richardson, had previously served as chairman and chief executive officer at Grand Canyon University, where he oversaw the school's conversion from non-profit to for-profit status, and ultimately to an initial public offering, and has had roles in

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[17] The various consent judgments all share identical requirements for the core provisions, although certain states also added additional provisions that apply specifically to that state. EDMC is implementing the Consent Judgment provisions in every state in which it operates, regardless of whether that state participated in the Consent Judgment.
[18] Consent Judgment ¶ 95.
[19] Consent Judgment ¶ 124.
[20] Dream Center Education Holdings, LLC, is the affiliate that acquired the schools in the transaction, which closed October 17, 2017.
[21] *See* Dream Center Foundation Press Release, "Education is the Key" (Mar. 3, 2017), *available at https://dreamcenter.org/about-us/foundation/.*

numerous for-profit education companies. His brother, Chris Richardson, became DCEH's General Counsel; Shelly Murphy, who had roles in other Richardson companies, became DCEH's Chief Officer, Regulatory and Government Affairs. The new leadership brought in other key managers who had worked with Richardson previously or who had other for-profit education experience.

The new management did not appoint a C-suite level officer who was focused on compliance issues, as the Administrator's Second Annual Report had recommended; instead, the company's compliance functions reported up to Murphy.

2. Non-Profit Status

A critical part of DCEH's vision for the network of schools was their conversion from for-profit to non-profit status. This change would be consistent with the purposes of the new company's owner, The Dream Center Foundation, and the Foundation's social and religious mission.

The change also has regulatory significance; as the Department of Education treats for-profit and non-profit schools differently. First, non-profit schools are not subject to the Department of Education's "90/10 rule," a mechanism that ensures that for-profit schools are receiving at least some level of market-based support. In short, the 90/10 rule requires for-profit colleges to receive at least 10% of their revenue from sources other than federal financial aid. Non-profit colleges are subject to no such restriction, and are permitted to cover all of their costs through reliance on federal financial aid provided for students. While there are financial trade-offs, the shift to non-profit status thus can be a significant benefit from a revenue perspective – particularly for schools that have had difficulty generating revenue from sources other than the federal government.

Second, the Department of Education has different disclosure requirements, particularly regarding the typical debt and earnings of program graduates, for for-profit and non-profit schools. The disclosures provide important information for prospective students, as programs that are subject to these Gainful Employment rules and that fail to meet minimum requirements must issue clear warnings to students and prospective students about their programs' failure.[22] The Gainful Employment regulations apply more broadly at for-profit schools; programs that would fail the Gainful Employment regulations and require disclosure at a for-profit school may not need to make that disclosure once a school becomes a non-profit.

For purposes of the Consent Judgment and compliance purposes, it is important to distinguish between DCEH's and its schools *tax status* and its *Department of Education regulatory status*. As a matter of tax law, DCEH has been organized as a non-profit entity under Section 501(c)(3) of the tax code since the time of the EDMC-DCEH transition. However, for Department of Education regulatory purposes, DCEH schools remain treated as *for-profit* institutions – notwithstanding DCEH's tax status – until the Department of Education specifically approves the transition to non-profit status. Until that Department of Education recognition, DCEH and its schools must comply with the various state and federal laws

[22] 34 C.F.R. § 668.410.

governing non-profit management – such as restrictions on using a non-profit to personally benefit the organization's management in certain prohibited ways – but is treated as a for-profit for purposes of the Department of Education's 90/10 and Gainful Employment rules. While DCEH believes that the Department has begun treating DCEH as a non-profit in certain important ways, the Department has also advised DCEH that it remains a for-profit institution for regulatory purposes until final approval is obtained.

3. Organizational Changes

DCEH has faced ongoing financial pressures since taking over, and its management believes that the company was in a weaker position than they expected when they took the helm. In a year of organizational change, two changes had particular impact.

First, in April, DCEH engaged in a significant round of layoffs. While the layoffs affected other parts of the company more dramatically, employees with compliance responsibilities for the Business Practices Committee, state regulation, and Department of Education issues departed through the layoffs.

Second, in July 2018, DCEH announced the closing of 30 of its ground campuses, affecting all three brands but the Art Institute schools most heavily. The closures would affect about half of DCEH's total schools and about a quarter of its total enrollment. As discussed further below, the closures had significant consequences for the business, and dramatic consequences for students. The closures also put a focus on DCEH's ability to provide accurate, complete information to its students at the closing schools – students whom DCEH was also trying to recruit to attend other DCEH schools.

III. EVALUATING DCEH'S COMPLIANCE EFFORTS

A. Compliance Culture

While there were signs of improvement towards the end of the review period, most of the early signs from DCEH's new management were problematic.

1. Initial Structure

a. Initial Compliance Leadership

DCEH did not install a C-suite-level chief compliance officer. The Administrator had recommended such a hire in the Second Report, noting the void that had existed when EDMC's Chief Compliance Officer departed in May 2017:

> The company has now operated without its compliance and audit leadership for several months. Regardless of how capable the existing team may be, long-term vacancies in those positions have consequences. They leave the team less able to break through internal logjams and elevate issues for resolution, and more focused on maintaining existing initiatives than on making improvements proactively. Particularly following several months of uncertainty surrounding a potential

shopping has likewise uncovered no evidence of systematic failures to disclose the FYSKs in a compliant, clear and conspicuous manner.

It is worth noting that while DCEH representatives have presented the FYSK clearly, prospective students rarely ask any questions about these disclosures. Perhaps this is because the student previously read the FYSK when first presented during the application process. Alternatively, this may be an indication that the oral presentation of this detailed data, at a time when student is in the process of completing a variety of paperwork, does not result in the prospective students' full absorption of the information. That is, listening to the representative read this form and then checking a box confirming receipt becomes just another of several administrative steps to complete enrollment.

On the third issue, regarding the accuracy of FYSK information, a sampling of data contained in FYSKs during this review period suggests that they are accurate reflections of the relevant underlying data sources. Some of the data in the FYSK can be verified using publicly available sources: The length and cost of attendance figures that can be checked against academic catalogs and enrollment agreements; median earnings data can be checked against the Department of Education's gainful employment figures. The remaining data in the FYSK is drawn from DCEH's own internal databases, and in some cases is calculated with the help of a third-party vendor who disaggregates and re-aggregates data supplied by the Department at the institutional level. Reviews of information produced from DCEH databases found no variances in the FYSK from the underlying source information, but did note that the FYSK inaccurately described the median earnings of program graduates as "starting salaries" when in fact, those figures represent all earnings, not starting salaries. DCEH's compliance team recognized the inaccuracy, and amended the FYSKs, reverting to the original median earnings language without the additional "starting salary" qualifier.

Yet while the information appears accurate today, there is reason to be concerned regarding the FYSK and related disclosures in the future. At this point, the Compliance Reporting Team is relatively thinly staffed. This team, responsible for collecting, aggregating, and reporting much of the company's data for internal and external purposes, has shrunk over the past year. The Administrator is concerned that the company's ability to maintain current, reliable information in the database it uses for federal reporting purposes, and the database it uses for communications with regulators and accreditors, will degrade. These databases feed much of the information that populates the FYSK documents. As time passes, and as DCEH implements additional changes, those databases may become outdated; the data used in the FYSK – and data provided to regulators and accreditors – may become inaccurate.

6. Disclosure of Accreditation Status

Few attributes of an institution of higher education are more consequential for its students than whether the school is accredited. Accreditation by a Department of Education-approved accrediting body is a prerequisite for federal student aid funding. The accreditation status of an institution is also often a factor in whether a student is able to transfer credits from that institution when enrolling in another school. Given the importance of a school's accreditation status, the Consent Judgment prevents DCEH from making "express or implied false, deceptive, or misleading claims to Prospective Students with regard to the academic standing of its

programs and faculty including, but not limited to misrepresenting … the accreditation" status of its schools and programs.[103] This obligation was particularly important this year, as the accreditation status of some DCEH schools changed. Some of the changes were, while potentially significant, relatively incremental; other changes involved outright losses of accreditation.

a. Changes in Accreditation Status

When accreditation statuses change, the schools retained their accreditation but were placed on some level of disfavored or probationary status. The most important of these changes came in July, when the Middle States Commission on Higher Education ("Middle States") required DCEH's Art Institute of Pittsburgh, which encompasses the Art Institute network's online offerings, and its Art Institute of Philadelphia "to show cause … as to why its accreditation should not be withdrawn."[104] That directive put the schools on an official status of "Accredited on Show Cause"[105] and required them to demonstrate why they should remain accredited and prepare for Middle States to withdraw their accreditation. In less significant moves in this category, accreditors may have simply asked for additional information about an issue, placed a school on probation, or moved a school off of probation after gaining assurance that the school continued to meet the accreditor's requirements following its transition from EDMC to Dream Center.

Accreditors generally provide detailed guidance regarding how schools' written materials should describe the schools' accreditation status when subject to these various levels of action. Typically, the accreditor directs that the school or program may continue to call itself "accredited," but must also include specific language disclosing its status in its catalogs and related materials.

Oral discussions with prospective students regarding these situations can be difficult, and receives relatively less guidance from accreditors than written materials. While it may remain true that a school remains accredited, it is also true that the school's accreditation may be in a precarious position. The nuances of the various statuses, as reflected in the 574-word paragraph from Middle States describing the showing that it expects from Ai-Pittsburgh, are complex, often outside the interest of the average prospective student, and may often be immaterial. The Administrator has thus instructed DCEH to ensure that its oral disclosures regarding accreditation status track the guidance provided for written disclosures by the accreditors themselves: In most cases, this will mean that when providing a broad overview, it is accurate to describe a school as accredited; when a more detailed or focused discussion is called for, DCEH must provide the nuanced caveat that the accreditor provides – whether directly, by pointing to

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[103] Consent Judgment ¶ 81(b).

[104] Letter from Gary L. Wirt, Chair, Middle States Commission on Higher Education, to Dr. Elden Monday, Interim President, The Art Institute of Pittsburgh at 1 (July 19, 2018), *available at* https://www.msche.org/non-compliance-disclosure-statements/the-art-institute-of-pittsburgh/; Letter from Gary L. Wirt, Chair, Middle States Commission on Higher Education, to Robert A. Kane, President, The Art Institute of Philadelphia at 1 (July 19, 2018), *available at* https://www.msche.org/non-compliance-disclosure-statements/the-art-institute-of-philadelphia/.

[105] *See* https://www.msche.org/institution/0840/ (visited Sept. 1, 2018).

the more detailed website disclosure, or by arranging a discussion with staff who has more expertise on the accreditation issue.

b. Losses of Accreditation Status

The more significant development from an accreditation perspective came in January, when the Higher Learning Commission ("HLC") downgraded the status of the Illinois Institute of Art and the Art Institute of Colorado from "accredited" to "candidate" – a move that HLC describes as an "adverse action" it can take when it determines that the institution, among other things, "no longer meets all of the Criteria for Accreditation."[106] It is the only other status that HLC recognizes: either a school is accredited, or it is a candidate seeking to become accredited. In short, HLC stopped viewing the schools as "accredited" and started viewing them as unaccredited. The change in status occurred in connection with the transition from EDMC to DCEH.

That change on January 20 carried significant consequences for the students of those institutions – including consequences for their federal financial aid and their ability to transfer any credits they earned after January 20 to other schools. These consequences became more dramatic once DCEH announced in July that those schools would close – and thus that many of the students would *need* those credits to transfer to other schools.

The loss of accreditation – and the risk of losing accreditation – put students in a difficult position. When the Middle States Commission on Higher Learning issued its "Show Cause" notice, requiring Ai Pittsburgh to demonstrate that it still satisfied accreditation standards, the school eventually stopped accepting transfer students because it did not want to put students in an "unstable environment."[107] Yet current students who sought to pause their education, lest they accrue and pay for credits that would be of little value, had to finish their terms or face withdrawal penalties.[108] The accreditation problems put these students between a rock and a hard place, financially: Either stay in the course, and potentially waste that tuition if the accreditation is withdrawn, or withdraw from class, and pay the financial penalties associated with withdrawal.

Given these consequences that loss of accreditation status can have, HLC requires institutions that are moved from accredited to candidate status to

> notify … students, prospective students, and any other constituencies about the action in a timely manner not more than fourteen (14) days after receiving the action letter from the Commission; the notification must include information on how to contact the Commission for further information; the institution must also disclose this new status whenever it refers to its Commission affiliation.[109]

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[106] HLC, Accredited to Candidate Status, Policy No. INST.E.50.010, available at http://download.hlcommission.org/policy/HLCPolicyBook_POL.pdf.
[107] Call Recording 48347923 (Sept. 24, 2018).
[108] Call Recording 48243262 (Sept. 11, 2018).
[109] HLC, Accredited to Candidate Status, Policy No. INST.E.50.010, available at http://download.hlcommission.org/policy/HLCPolicyBook_POL.pdf.

Simply put, when these schools lost their accreditation status, they were obligated to inform their students and prospective students within 14 days.

DCEH did not inform Illinois Institute of Art or Art Institute of Colorado students or prospective students that it had lost its accreditation. Instead, DCEH revised the accreditation statement on its website to expressly claim that the schools "remain accredited as a candidate school"[110]:

- **Institutional Accreditation**
  The Art Institute of Colorado is in transition during a change of ownership. We remain accredited as a candidate school seeking accreditation under new ownership and our new non-profit status. Our students remain eligible for Title IV. Higher Learning Commission (230 S. LaSalle Street, Suite 7-500, Chicago, IL 60604-1413, 1.800.621.7440, www.hlcommission.org/).

That revised accreditation statement was inaccurate and misleading, and obfuscated HLC's distinction between accredited institutions and candidates. DCEH argued that it disagreed with HLC's view that the schools' "candidate for accreditation" status meant they were unaccredited, but there is no ambiguity in HLC's view of what that status means.

Following discussions with the Administrator, DCEH removed the "remain accredited" language from the accreditation websites of the two schools[111]:

- **Institutional Accreditation**
  The Illinois Institute of Art is in transition during a change of ownership. We are a candidate school seeking accreditation under new ownership and our new non-profit status. Our students remain eligible for Title IV. Higher Learning Commission (230 S. LaSalle Street, Suite 7-500, Chicago, IL 60604-1413, 1.800.621.7440, www.hlcommission.org/).

That change occurred prior to June 29, 2018.

While the corrected language was necessary, it did not resolve the consequences that had arisen for students who either enrolled or decided to remain enrolled during the period of the misleading disclosure. Among other consequences, those students may have used limited financial resources to acquire credits that could not be transferred to other schools – a problem that was exacerbated dramatically when DCEH announced in July that it would be closing those schools, leaving many of those students dependent on the transferability of their credits to further their education.

The Administrator has requested a corrective action plan from DCEH to provide appropriate relief to students affected by the failure to disclose the HLC accreditation action. DCEH has begun identifying affected students. The completion of an appropriate corrective action plan on this issue is clearly a necessary prerequisite to being in substantial compliance with the Consent Judgment.

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[110] *See* https://www.artinstitutes.edu/accreditation-and-licensing (visited May 1, 2018).
[111] *See* https://www.artinstitutes.edu/chicago/about/accreditation (visited June 29, 2018).

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

DIGITAL MEDIA SOLUTIONS, LLC Plaintiff, v. SOUTH UNIVERSITY OF OHIO, LLC, *et al.* Defendants.	)	CASE NO. 1:19-cv-145 JUDGE DAN AARON POLSTER MAGISTRATE JUDGE THOMAS M. PARKER

[PROPOSED] ORDER AUTHORIZING INTERVENTION OF STUDENT INTERVENORS PLAINTIFFS, THE DUNAGAN PLAINTIFFS

After consideration of the Motion to Intervene by Jessica Muscari, Robert J. Infusino and Stephanie Porreca, Plaintiffs and named representatives of an uncertified class of students in an action pending in the Circuit Court of Cook County, Illinois, Department–Chancery Division, *Dunagan et al. v. Illinois Institute of Art-Chicago, LLC, et al.*, Case No. 2018 CH15216 (the "Dunagan Plaintiffs") pursuant to Fed. R. Civ. P. 24(a), and it appearing that the standards of Rule 24(a) are satisfied, IT IS HEREBY ORDERED THAT the motion is GRANTED, and the Dunagan Plaintiffs are permitted to intervene in this action.

IT IS SO ORDERED.

Dated: _____, 2019

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THE HONORABLE THOMAS M. PARKER
UNITED STATES MAGISTRATE JUDGE