



May 3, 2018

Sent via email and by overnight mail

Mr. Elden R. Monday
Interim President
The Art Institute of Colorado
1200 Lincoln Street
Denver, CO 80203-2172

**RE: Interim Decision on Change of Ownership and Conversion to Nonprofit status
OPE ID: 02078900**

Dear Mr. Monday:

On February 8, 2018, the Multi-Regional and Foreign School Participation Division ("MRFSPD") sent a letter notifying you that the U.S. Department of Education ("Department") had completed its preliminary review of the application of The Art Institute of Colorado ("Art Institute") for approval of a change in ownership resulting in a change of control.

In that letter, the MRFSPD notified you that on the basis of that review, the Department determined that the application was materially complete, and had granted the Art Institute Temporary Provisional Certification for a period ending on the last day of the month following the month in which the change of ownership took place, which was February 28, 2018.

The Department requested the Art Institute to review and sign two copies of the Temporary Program Participation Agreement ("PPA") and return both signed copies. The Art Institute returned the signed Temporary PPAs, after which, on February 20, 2018, the Department signed the Temporary PPAs on behalf of the Secretary of Education and sent one fully executed copy to the institution.

In the February 20, 2018 letter, the Department notified the Art Institute that the temporary PPA would continue on a month-to-month basis until the Department made a determination on the application if, prior to the stated expiration date of February 28, 2018, the institution submitted to the Department the following documents, among other things: an audited "same-day" balance sheet, prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and audited in accordance with Generally Accepted Government Accounting Standards ("GAGAS"), which showed the financial condition of the institution (the resulting entity) as of the date of the change in ownership; approval of the change in ownership by the institution's accrediting agency, the Higher Learning Commission ("HLC"); approval of the change in ownership by the institution's state licensing agency; and a copy of the institution's default management plan.

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The Department notified the Art Institute in the letter that if this documentation was not provided by the expiration date of the Temporary PPA, February 28, 2018, the Temporary PPA would expire on that date without further notice.

The Art Institute timely submitted its "same-day" balance sheet, the Colorado Commission on Higher Education's February 21, 2018 approval of the change in ownership, and its Default Management Plan. With regard to accreditation approval, however, the Department has learned that HLC transitioned the Art Institute from being accredited to being a candidate for accreditation effective January 20, 2018. In particular, HLC imposed "Change of Control-Candidacy" status on the institution as of the January 20, 2018 close of its sale by Education Management Corporation ("EDMC") to the Dream Center Foundation ("DCF") through Dream Center Education Holdings ("DCEH"). According to HLC, the period of Change of Control-Candidacy status can last from a minimum of six months to a maximum of four years. The provisions of 34 C.F.R. 600.5(a)(6) require a proprietary institution of higher education to be fully accredited to qualify as an eligible institution for purposes of the Title IV, HEA programs, and do not allow for pre-accredited (or candidacy) status. The provisions of 34 C.F.R. 600.4(a)(5)(i) do, however, allow a private nonprofit institution to qualify as an eligible Title IV institution with preaccredited (candidacy) status. Due to this accreditation status, the Art Institute no longer qualifies as an eligible institution to participate in the Title IV, HEA programs as a for-profit institution.

To avoid the lapse of eligibility, and given the pending application for the change of ownership that includes a requested conversion to non-profit status, the Department is granting the institution temporary interim non-profit status during the review of the pending change of ownership application, to the Art Institute, effective January 20, 2018. The Department will continue the Temporary PPA on a month to month basis until the Department makes a final determination on the application. Although the Art Institute has not provided approval of the change in ownership by HLC, the Department understands that the matter is proceeding in accordance with HLC's normal process.

The Art Institute is reminded that, as set forth in the Department's September 12, 2017 Preacquisition review letter sent to DCFH, unless and until the conversion to nonprofit institution status is fully and finally approved by the Department, the Art Institute must continue to report its Title IV revenue percentage (90/10 percentage), as well as its gainful employment data for its educational programs.

In the February 20, 2018 letter transmitting the Temporary PPA, the Department notified the Art Institute that the Eligibility and Certification Approval Report ("ECAR") under which the institution had been operating prior to the change in ownership remained in effect with respect to approval of locations, educational programs, and the Title IV, HEA programs. The ECAR identified the institution as a proprietary institution of higher education. The Department will not be issuing a new ECAR reflecting the temporary designation of non-profit status. This letter will serve as evidence of the Art Institute's temporary conditional approval as a private non-profit institution.

If you have any questions, please contact Tara Sikora at Tara.Sikora@ed.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Frola". The signature is fluid and cursive, with the first name "Michael" and last name "Frola" clearly distinguishable.

Michael Frola
Division Director
Multi-Regional and Foreign School Participation Division

cc: Brent Richardson, Chief Executive Officer, Dream Center Education Holdings, LLC
(email: brichardson@dcedh.org)
Shelly Murphy, Chief Officer Regulatory and Government Affairs, Dream Center
Education Holdings, LLC (email: smurphy@dcedh.org)



May 3, 2018

Sent via email and by overnight mail

Mr. David Ray
Interim President
The Illinois Institute of Art
350 North Orleans Street, Suite 136-L
Chicago, IL 60654-1593

**RE: Interim Decision on Change of Ownership and Conversion to Nonprofit status
OPE ID: 01258400**

Dear Mr. Ray:

On February 8, 2018, the Multi-Regional and Foreign School Participation Division ("MRFSPD") sent a letter notifying you that the U.S. Department of Education ("Department") had completed its preliminary review of the application of The Illinois Institute of Art ("Art Institute") for approval of a change in ownership resulting in a change of control.

In that letter, the MRFSPD notified you that on the basis of that review, the Department determined that the application was materially complete, and had granted the Art Institute Temporary Provisional Certification for a period ending on the last day of the month following the month in which the change of ownership took place, which was February 28, 2018.

The Department requested the Art Institute to review and sign two copies of the Temporary Program Participation Agreement ("PPA") and return both signed copies. The Art Institute returned the signed Temporary PPAs, after which, on February 20, 2018, the Department signed the Temporary PPAs on behalf of the Secretary of Education and sent one fully executed copy to the institution.

In the February 20, 2018 letter, the Department notified the Art Institute that the temporary PPA would continue on a month-to-month basis until the Department made a determination on the application if, prior to the stated expiration date of February 28, 2018, the institution submitted to the Department the following documents, among other things: an audited "same-day" balance sheet, prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and audited in accordance with Generally Accepted Government Accounting Standards ("GAGAS"), which showed the financial condition of the institution (the resulting entity) as of the date of the change in ownership; approval of the change in ownership by the institution's accrediting agency, the Higher Learning Commission ("HLC"); approval of the change in ownership by the institution's state licensing agency; and a copy of the institution's default management plan.

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The Department notified the Art Institute in the letter that if this documentation was not provided by the expiration date of the Temporary PPA, February 28, 2018, the Temporary PPA would expire on that date without further notice.

The Art Institute timely submitted its "same-day" balance sheet, the Illinois Board of Higher Education's March 2, 2018 acknowledgement of the change in ownership, and its Default Management Plan. With regard to accreditation approval, however, the Department has learned that HLC transitioned the Art Institute from being accredited to being a candidate for accreditation effective January 20, 2018. In particular, HLC imposed "Change of Control-Candidacy" status on the institution as of the January 20, 2018 close of its sale by Education Management Corporation ("EDMC") to the Dream Center Foundation ("DCF") through Dream Center Education Holdings ("DCEH"). According to HLC, the period of Change of Control-Candidacy status can last from a minimum of six months to a maximum of four years. The provisions of 34 C.F.R. 600.5(a)(6) require a proprietary institution of higher education to be fully accredited to qualify as an eligible institution for purposes of the Title IV, HEA programs, and do not allow for pre-accredited (or candidacy) status. The provisions of 34 C.F.R. 600.4(a)(5)(i) do, however, allow a private nonprofit institution to qualify as an eligible Title IV institution with preaccredited (candidacy) status. Due to this accreditation status, the Art Institute no longer qualifies as an eligible institution to participate in the Title IV, HEA programs as a for-profit institution.

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If you have any questions, please contact Tara Sikora at Tara.Sikora@ed.gov.

Sincerely,

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Michael Frola
Division Director
Multi-Regional and Foreign School Participation Division

cc: Brent Richardson, Chief Executive Officer, Dream Center Education Holdings, LLC
(email: brichardson@dcedh.org)
Shelly Murphy, Chief Officer Regulatory and Government Affairs, Dream Center
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