THE ART INSTITUTE OF FORT LAUDERDALE, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE AND RELATED FLORIDA SINGLE AUDIT REPORTS

Year Ended June 30, 2013

FOGLE & ASSOCIATES, LLC
Certified Public Accountants

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Fogle & Associates, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Art Institute of Fort Lauderdale, Inc.

We have audited the accompanying schedule of expenditures of state financial assistance for the State Projects of The Art Institute of Fort Lauderdale, Inc. (the Institute) for the year ended June 30, 2013, and the related notes.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General*. Those standards, statutes, and rules require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the schedule of expenditures of state financial assistance referred to above presents fairly, in all material respects, the expenditures of state financial assistance under the State Projects of The Art Institute of Fort Lauderdale, Inc. for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Foyle & Associates, LLC

March 5, 2014

THE ART INSTITUTE OF FORT LAUDERDALE, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013

	CSFA No.	Grant No.	Expenditures	Transfers to Subrecipients
FLORIDA DEPARTMENT OF EDUCATION				
Direct Projects:				
Florida Student Assistance Grant	48.054	N/A	$ 738,287	$ -
Florida Children and Spouses of Deceased Or Disabled Veterans and Servicemembers Scholarship	48.055	N/A	9,948	-
Florida Bright Futures Scholarship	48.059	N/A	77,895	-
TOTAL DIRECT PROJECTS			$ 826,130	-
Indirect Projects:			$ -	$ -
Passed Through:			$ -	$ -
TOTAL FLORIDA DEPARTMENT OF EDUCATION			$ 826,130	$ -
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			$ 826,130	$ -

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

BASIS OF PRESENTATION

The purpose of the schedule of expenditures of state financial assistance is to present a summary of the operations of The Art Institute of Fort Lauderdale, Inc. which have been financed by the State of Florida. The information in this schedule is prepared on the accrual basis of accounting and is presented in accordance with Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*. Because this schedule presents only a selected portion of the operations of the Institute, it is not intended to, and does not, present the either the financial position, results of operations, or cash flows of the Institute as of and for the year ended June 30, 2013.

Fogle & Associates, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors
The Art Institute of Fort Lauderdale, Inc.

Report on Compliance for Each Major State Project

We have audited The Art Institute of Fort Lauderdale, Inc.'s compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of The Art Institute of Fort Lauderdale, Inc.'s major State projects for the year ended June 30, 2013. The Art Institute of Fort Lauderdale, Inc.'s major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Art Institute of Fort Lauderdale, Inc.'s major State projects based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about The Art Institute of Fort Lauderdale, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of The Art Institute of Fort Lauderdale, Inc.'s compliance.

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Opinion on Each Major State Project

In our opinion, The Art Institute of Fort Lauderdale, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of The Art Institute of Fort Lauderdale, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Art Institute of Fort Lauderdale, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General* but not for the purpose of expressing an opinion on the effectiveness of The Art Institute of Fort Lauderdale, Inc.'s internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Art Institute of Fort Lauderdale, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Fogle & Associates, LLC

March 5, 2014

THE ART INSTITUTE OF FORT LAUDERDALE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECTS

Year Ended June 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

1. The consolidated financial statements of Education Management Corporation and Subsidiaries (including The Art Institute of Fort Lauderdale, Inc.) were audited by another independent registered public accounting firm whose report dated December 16, 2013 expressed an unmodified opinion.

2. The consolidated financial statements of Education Management Corporation and Subsidiaries (including The Art Institute of Fort Lauderdale, Inc.) were audited by another independent registered public accounting firm whose report dated December 16, 2013 identified no instances of noncompliance material to the financial statements and no findings related to the financial statements required to be reported in accordance with *Government Auditing Standards*.

3. The independent auditor's report on compliance for each major State project for The Art Institute of Fort Lauderdale, Inc. expresses an unmodified opinion.

4. The audit of the major state projects of The Art Institute of Fort Lauderdale, Inc. disclosed no findings or questioned costs required to be reported under Chapter 10.650, *Rules of the Auditor General*.

5. The programs tested as major state projects included:

   Florida Department of Education Student Financial Assistance Programs:

   a. Florida Student Assistance Grant - CSFA #48.054

6. The dollar threshold for distinguishing between Type A and Type B projects was $247,839 for major State projects.

7. No management letter is required because there were no findings required to be reported in the management letter.

8. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to major State projects.

9. No Corrective Action Plan is required because there were no findings required to be reported under Chapter 10.650, *Rules of the Auditor General*.

Consolidated Financial Statements and Supplemental Information

Education Management Corporation and Subsidiaries
Fiscal Years Ended June 30, 2013 and 2012
With Report of Independent Registered Public Accounting Firm

Ernst & Young LLP

Ernst & Young

Education Management Corporation and Subsidiaries

Consolidated Financial Statements and Supplemental Information

Fiscal Years Ended June 30, 2013 and 2012

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Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Directors
Education Management Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Education Management Corporation and Subsidiaries as of June 30, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, cash flows, and shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Education Management Corporation and Subsidiaries as of June 30, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Supplemental Information section containing the consolidating balance sheets, consolidating statements of operations, composite scores, supplemental schedules of 90/10 ratios and supplemental schedules of related-party transactions is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects, in relation to the consolidated financial statements taken as whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 on our consideration of Education Management Corporation and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Education Management Corporation and Subsidiaries' internal control over financial reporting and compliance.

Ernst & Young LLP

December 16, 2013

Education Management Corporation and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands)

	June 30, 2013	June 30, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 130,695	$ 191,008
Restricted cash	271,340	267,880
Total cash, cash equivalents and restricted cash	402,035	458,888
Student receivables, net of allowances of $174,760 and $225,657 (Note 7)	206,406	203,341
Notes, advances and other receivables	32,547	22,174
Inventories	5,873	8,382
Deferred income taxes (Note 12)	76,927	102,668
Prepaid income taxes	20,854	6,796
Other current assets	26,977	40,399
Total current assets	771,619	842,648
Property and equipment, net (Note 5)	525,625	651,797
Other long-term assets (Note 7)	48,524	51,071
Intangible assets, net (Note 6)	300,435	330,029
Goodwill (Note 6)	669,090	963,550
Total assets	$ 2,315,293	$ 2,839,095
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt (Note 9)	$ 12,076	$ 12,076
Revolving credit facility (Note 9)	75,000	111,300
Accounts payable	32,559	54,834
Accrued liabilities (Note 8)	157,417	137,348
Unearned tuition	113,371	116,277
Advance payments	95,675	102,170
Total current liabilities	486,098	534,005
Long-term debt, less current portion (Note 9)	1,273,164	1,453,468
Deferred income taxes (Note 12)	70,316	111,767
Deferred rent	201,202	197,758
Other long-term liabilities	34,414	45,533
Shareholders' equity:		
Common stock, at par	1,435	1,434
Additional paid-in capital	1,794,846	1,777,732
Treasury stock, at cost (Note 14)	(328,605)	(328,605)
Accumulated deficit	(1,203,936)	(935,960)
Accumulated other comprehensive loss	(13,641)	(18,037)
Total shareholders' equity	250,099	496,564
Total liabilities and shareholders' equity	$ 2,315,293	$ 2,839,095

The accompanying notes are an integral part of these consolidated financial statements.

Education Management Corporation and Subsidiaries

Consolidated Statements of Operations

(Dollars in thousands, except per share amounts)

	For the Fiscal Year Ended June 30, 2013	2012
Net revenues	$ 2,498,599	$ 2,760,967
Costs and expenses:		
Educational services	1,447,097	1,502,356
General and administrative	689,143	762,863
Depreciation and amortization	164,712	158,663
Long-lived asset impairments (Notes 5 and 6)	323,690	1,746,765
Total costs and expenses	2,624,642	4,170,647
Loss before interest, loss on debt refinancing and income taxes	(126,043)	(1,409,680)
Interest expense, net	124,663	110,330
Loss on debt refinancing (Note 9)	5,232	9,474
Loss before income taxes	(255,938)	(1,529,484)
Income tax expense (benefit)	12,038	(13,743)
Net loss	$ (267,976)	$ (1,515,741)
Loss per share: (Note 4)		
Basic	$ (2.15)	$ (11.97)
Diluted	$ (2.15)	$ (11.97)
Weighted average number of shares outstanding: (Note 4)		
Basic	124,560	126,659
Diluted	124,560	126,659

The accompanying notes are an integral part of these consolidated financial statements.

Education Management Corporation and Subsidiaries

Consolidated Statements of Comprehensive Loss

(Dollars in thousands)

	For the Fiscal Year Ended June 30,	
	2013	2012
Net loss	$ (267,976)	$ (1,515,741)
Other comprehensive income (loss):		
Net change in interest rate swaps:		
Periodic revaluation of interest rate swaps, net of tax benefit of $1,545 and $8,049	(2,619)	(13,646)
Reclassification adjustment for interest recognized in consolidated statements of operations, net of tax expense of $4,448 and $4,988	7,542	8,457
Net change in unrecognized loss on interest rate swaps, net of tax	4,923	(5,189)
Foreign currency translation loss	(527)	(658)
Other comprehensive income (loss)	4,396	(5,847)
Comprehensive loss	$ (263,580)	$ (1,521,588)

The accompanying notes are an integral part of these consolidated financial statements.

Education Management Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in thousands)

	For the Fiscal Year Ended June 30, 2013	2012
Cash flows from operating activities:		
Net loss	$ (267,976)	$ (1,515,741)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization of property and equipment	157,871	151,023
Amortization of intangible assets	6,841	7,640
Bad debt expense	171,850	163,926
Long-lived asset impairments	323,690	1,746,765
Amortization of debt issuance costs	8,460	1,071
Loss on debt refinancing	5,232	9,474
Share-based compensation	17,112	13,290
Non cash adjustments related to deferred rent	(17,477)	(12,956)
Amortization of deferred gains on sale-leaseback transactions	(1,575)	—
Deferred income taxes	(18,840)	(132,500)
Changes in assets and liabilities:		
Restricted cash	(3,460)	(220,367)
Receivables	(194,437)	(220,319)
Reimbursements for tenant improvements	10,054	15,307
Inventory	2,505	1,203
Other assets	15,151	(3,856)
Purchase of loans	(899)	—
Accounts payable	(19,596)	(1,637)
Accrued liabilities	6,092	20,454
Unearned tuition	(2,906)	(23,873)
Advance payments	(6,385)	(9,754)
Total adjustments	459,283	1,504,891
Net cash flows provided by (used in) operating activities	191,307	(10,850)
Cash flows from investing activities:		
Expenditures for long-lived assets	(83,241)	(93,546)
Proceeds from sale of fixed assets	65,065	—
Reimbursements for tenant improvements	(10,054)	(15,307)
Other	2,418	—
Net cash flows used in investing activities	(25,812)	(108,853)
Cash flows from financing activities:		
Borrowings under revolving credit facility	75,000	111,300
Payments under revolving credit facility	(111,300)	(79,000)
Pay down of senior notes due 2014	(171,953)	—
Issuance of common stock	3	2,618
Common stock repurchased for treasury	—	(104,073)
Principal payments on long-term debt	(12,155)	(11,025)
Debt issuance costs and other	(5,232)	(11,928)
Net cash flows used in financing activities	(225,637)	(92,108)
Effect of exchange rate changes on cash and cash equivalents	(171)	(405)
Net change in cash and cash equivalents	(60,313)	(212,216)
Cash and cash equivalents, beginning of period	191,008	403,224
Cash and cash equivalents, end of period	$ 130,695	$ 191,008
Cash paid during the period for:		
Interest (including swap settlement)	$ 111,396	$ 116,014
Income taxes, net of refunds	$ 46,699	$ 114,629

	As of June 30, 2013	2012
Noncash investing activities:		
Capital expenditures in current liabilities	$ 9,022	$ 13,201

The accompanying notes are an integral part of these consolidated financial statements.

Education Management Corporation and Subsidiaries

Consolidated Statements of Shareholders' Equity

	Common Stock at Par Value (b)	Additional Paid-in Capital	Treasury Stock (b)	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss		Total
			(In thousands)				
Balance at June 30, 2011	$ 1,431	$ 1,761,848	$ (226,926)	$ (579,781)	$ (12,190)		$ 2,103,944
Exercise of stock options including excess tax benefit	3	2,594	—	—	—		2,597
Share-based compensation	—	13,290	—	—	—		13,290
Common stock repurchased for treasury	—	—	(101,679)	—	—		(101,679)
Net loss	—	—	—	(1,515,741)	—		(1,515,741)
Other comprehensive loss	—	—	—	—	(5,847)		(5,847)
Balance at June 30, 2012	1,434	1,777,732	(328,605)	(935,960)	(18,037)	(a)	496,564
Exercise of stock options	—	3	—	—	—		3
Share-based compensation	1	17,111	—	—	—		17,112
Net loss	—	—	—	(267,976)	—		(267,976)
Other comprehensive income	—	—	—	—	4,396		4,396
Balance at June 30, 2013	$ 1,435	$ 1,794,846	$ (328,605)	$ (1,203,936)	$ (13,641)	(a)	$ 250,099

(a) The balance in accumulated other comprehensive loss at June 30, 2013 and 2012 was comprised of $(12.7) million and $(17.6) million of cumulative unrealized losses on interest rate swaps, net of tax, respectively, and $(0.9) million and $(0.4) million of cumulative foreign currency translation losses, respectively.

(b) There were 600,000,000 authorized shares of $0.01 par value common stock at June 30, 2013 and 2012. Common stock outstanding and treasury stock balances and activity were as follows for the periods indicated.

	Treasury	Net Outstanding
Balance at June 30, 2011	13,333,972	129,811,749
Repurchased for treasury	5,568,168	(5,568,168)
Issued for stock-based compensation plans	—	234,226
Balance at June 30, 2012	18,902,140	124,477,807
Issued for stock-based compensation plans	—	123,717
Balance at June 30, 2013	18,902,140	124,601,524

The accompanying notes are an integral part of these consolidated financial statements.

Education Management Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Fiscal Years Ended June 30, 2013 and 2012

1. DESCRIPTION OF BUSINESS AND CHANGE IN OWNERSHIP

Description of Business

Education Management Corporation ("EDMC" and collectively with its subsidiaries, the "Company") is among the largest providers of post-secondary education in North America, with approximately 125,560 enrolled students as of October 2013. The Company offers campus-based education through four different education systems and through online platforms at three of the four education systems, or through a combination of both. These four education systems are the Company's reportable segments and include The Art Institutes, Argosy University, Brown Mackie Colleges and South University. Refer to Note 18, "Segment Reporting," for additional information.

The Company is committed to offering quality academic programs and strives to improve the learning experience for its students to help them achieve their educational goals across the spectrum of in-demand careers. The curriculum is designed with a distinct emphasis on applied career-oriented content and is primarily taught by faculty members that possess practical and relevant professional experience in their respective fields.

Ownership

On June 1, 2006, the Company was acquired by a consortium of private equity investment funds led by Providence Equity Partners, Goldman Sachs Capital Partners and Leeds Equity Partners (collectively, the "Sponsors"). The acquisition was accomplished through the merger of EM Acquisition Corporation into EDMC, with EDMC surviving the merger (the "Transaction") and was financed by equity invested by the Sponsors and other investors, cash on hand and secured and unsecured borrowings. Refer to Note 9, "Short-Term and Long-Term Debt," for more information.

In October 2009, EDMC completed an initial public offering of 23.0 million shares of its common stock, $0.01 par value per share ("Common Stock"), at a per share price of $18.00 (the "Initial Public Offering"). The Sponsors did not sell any of their shares in connection with the Initial Public Offering.

Reclassifications

Certain amounts in prior periods have been reclassified to conform to the fiscal 2013 presentation, with no effect on previously reported net income or shareholders' equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated. Unless otherwise specified, any reference to a "year" is to a fiscal year ended June 30.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases these estimates on assumptions that it believes to be reasonable under the circumstances, the results of which form a basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes that its estimates are reasonable.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. These investments are stated at cost, which approximates fair value.

The Company's institutions hold funds from the United States government under various student aid grant and loan programs in separate bank accounts, and serve as trustee for the U.S. Department of Education or respective lender or student borrower, as applicable. The funds held in these bank accounts are not shown as cash or restricted cash on the consolidated balance sheets until the authorization and disbursement process has occurred. Once the authorization and disbursement process to the student has been completed, the funds are transferred to unrestricted accounts and become available for use in current operations. This transfer generally occurs for the period of the academic term for which such funds were authorized with no term being more than 16 weeks in length.

U.S. Department of Education regulations require Title IV program funds received by the Company's educational institutions in excess of the charges applied to the relevant students at that time to be, with these students' permission, maintained and classified as restricted. In addition, some states have similar requirements. Such funds received for courses that have not yet begun are recorded as restricted cash due to legal restrictions on the use of the funds and as advance payments on the Company's consolidated balance sheets. Restricted cash also includes liens on certain of the Company's cash deposits which must equal 105% of the aggregate $200.0 million of outstanding letters of credit under the Company's cash secured letter of credit facilities further explained in Note 9, "Short-Term and Long-Term Debt." Finally, restricted cash includes amounts related to an account required to be maintained in connection with an operating lease at one of the Company's institutions, an account required to be maintained in connection with the Company's new student lending program further described in Note 7, "Student Receivables," and amounts for endowments required by state law at certain of the Company's schools.

Restricted cash consisted of the following at June 30 (in thousands):

	2013	**2012**
Cash secured letters of credit	$ 210,000	$ 210,000
Title IV funds in excess of charges applied	56,595	54,416
Escrowed in connection with operating lease	3,245	1,464
Endowments	1,500	2,000
Restricted cash	$ 271,340	$ 267,880

Revenue Recognition

The Company's net revenues consist primarily of tuition and fees, student housing fees, bookstore sales, restaurant sales in connection with culinary programs, workshop fees, and sales of related study materials. Net revenues are reduced for student refunds and scholarships. The Company derived approximately 93.1% of its net revenues from tuition and fees in each of the fiscal years ended June 30, 2013 and 2012.

The Company bills tuition and housing revenues at the beginning of an academic term and recognizes the revenue on a pro rata basis over the term of instruction or occupancy. Some of the Company's academic terms have starting and ending dates that differ from the Company's fiscal quarters. Therefore, at the end of each fiscal quarter, the Company has tuition from academic terms with respect to which the associated revenue has not yet been earned. Such amounts are recorded as unearned tuition as a current liability in the accompanying consolidated balance sheets. Advance payments are generally refundable and relate to payments received for future academic periods and are also recorded as a current liability in the accompanying consolidated balance sheets.

If a student withdraws from one of the Company's schools, the extent of his or her obligation for tuition and fees depends on when that student withdraws during an academic term. Student refunds are regulated by the standards of the U.S. Department of Education, most state education authorities that regulate the Company's schools, the accrediting commissions that accredit the Company's schools and the Company's institutional policies (collectively, "Refund Policies"). Refund Policies vary by state, and the limitations imposed by the Refund Policies are generally based on the portion of the academic term that has elapsed at the time the student withdraws. The greater the portion of the academic term that has elapsed at the time the student withdraws, the greater the student's obligation is to the school for the tuition and fees related to that academic term. The Company records revenue net of any refunds that result from any applicable Refund Policy.

Student Receivables

The Company records student receivables at cost less an estimated allowance for doubtful accounts, which is determined on a monthly basis based on the likelihood of collection considering students' historical payment experience based on their enrollment status. For example, receivables from students who are out-of-school are reserved for at a higher rate than the receivables from students that are in-school. When certain criteria are met, which is generally when receivables age past the due date by more than four months, and internal collection measures have been taken without success, the accounts of former students are placed with a collection agency. Student accounts that have been placed with a collection agency are reserved for at a high rate and are written off after collection attempts have been unsuccessful.

During fiscal 2013, the Company reduced the number of days since last payment after which accounts placed with a collection agency are written off. This change had no impact on the statement of operations or net student receivables as the applicable accounts were already fully reserved.

Refer to Note 7, "Student Receivables," for more information.

Inventories

Inventories consist mainly of textbooks and supplies held for sale to students enrolled in the Company's educational programs. Cost is determined using the average cost method and inventories are valued at the lower of cost or market.

Leases

The Company leases certain classroom, dormitory and office space as well as equipment and automobiles under operating leases. Before entering into a lease, an analysis is performed to determine whether a lease should be classified as capital or operating.

Certain of the Company's lease agreements include tenant improvement allowances. Once the lease agreement is signed, these tenant improvement allowances are recorded as other current assets with the offset to deferred rent liabilities on the consolidated balance sheets. As spending occurs, the Company records increases to leasehold improvement assets in property and equipment. Other current assets are reduced once the landlord reimburses the Company. The deferred rent liabilities related to tenant improvements are amortized over the term of the lease as a reduction to rent expense upon possession of the lease space.

Many of the Company's lease agreements contain escalation clauses under which, if fixed and determinable, rent expense is recognized on a straight-line basis over the lives of the leases, which generally range from five to 15 years with one or more renewal options. For leases with renewal options, the Company records rent expense over the original lease term, exclusive of the renewal period. When a renewal occurs, the Company records rent expense over the new lease term.

Property and Equipment

Property and equipment is recorded at its cost less accumulated depreciation. Depreciation policies for such assets are as follows:

- Buildings are depreciated over an estimated useful life of 30 years using the straight-line method;
- Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term, exclusive of any renewal periods, or their estimated useful lives; and
- The remainder of the Company's property and equipment is depreciated over estimated useful lives ranging from three to ten years using the straight-line method, depending on the asset.

Accelerated depreciation methods are generally used for income tax purposes.

The Company records impairment losses on property and equipment and finite-lived intangible assets when events and circumstances indicate that the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. Events and circumstances that could trigger an impairment review include changes in the regulatory environment, deteriorating economic conditions or poor operating performance at individual campus locations. Any resulting impairment loss would be measured as the difference between the fair value of the assets and their carrying value with the loss recorded as an operating expense in the consolidated statement of operations in the period incurred. Refer to Note 5, "Property and Equipment," for more information.

Goodwill and Indefinite-Lived Intangible Assets

In connection with the Transaction, property, equipment, intangible assets other than goodwill and other assets and liabilities were recorded at fair value. The excess of the amount paid to acquire the Company at the time of the Transaction over the fair values of these net assets represented the intrinsic value of the Company beyond its tangible and identifiable intangible net assets and was assigned to goodwill.

Goodwill is evaluated annually on April 1 for impairment and on an interim basis if events or changes in circumstances between annual tests indicate that it is not more-likely-than-not that the fair value of a reporting unit is greater than its carrying value. A significant amount of judgment is involved in making this qualitative assessment, and the events and circumstances management considers include, but are not limited to, overall financial performance including adverse changes to forecasts of operating results, a sustained decrease in the publicly-traded price of EDMC's Common Stock, macroeconomic conditions, industry and market considerations, cost factors, updated business plans and regulatory and legal developments.

Goodwill is impaired when the carrying amount of a reporting unit's goodwill exceeds its implied fair value, as determined under a two-step approach. In the first step, the Company determines the fair value of each reporting unit and compares that fair value to each reporting unit's carrying value. The Company estimates the fair value of its reporting units using a combination of the discounted cash flow method (income approach) and the guideline public company method (market approach), which takes into account the invested capital and associated earnings multiples of publicly-traded peer companies. If the results of the first step indicate the carrying amount of a reporting unit is higher than its fair value, a second step must be performed, which requires the Company to determine the implied fair value of goodwill in the same manner as if it had acquired the reporting unit in an arm's-length transaction as of the testing date. This second step is performed by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit from the estimated fair value of the reporting unit. If the recorded amount of goodwill exceeds this implied fair value, an impairment charge is recorded for the difference as an operating expense in the period incurred.

Indefinite-lived intangible assets, consisting of the licensing, accreditation and Title IV program participation assets and The Art Institute trade name, are also evaluated annually on April 1 for impairment and on an interim basis if events or changes in circumstances between annual tests indicate that the asset might be impaired. Trade names are valued by the relief from royalty method (income approach), which focuses on the level of royalty payments that the user of an intangible asset would have to pay a third party for the use of the asset if it were not owned by the user. The Company uses a combination of the cost and income approaches to establish the asset value of licenses, accreditation and Title IV program participation assets. On the impairment testing date, if the fair value of the intangible asset is less than its carrying value, an impairment loss is recognized for an amount equal to the difference. The intangible asset is then carried at its new fair value.

Refer to Note 6, “Goodwill and Intangible Assets,” for more information.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities result from (i) temporary differences in the recognition of income and expense for financial and income tax reporting requirements, and (ii) differences between the recorded value of assets acquired in business combinations accounted for as purchases for financial reporting purposes and their corresponding tax bases. Deferred income tax assets are reduced by a valuation allowance if it is more-likely-than-not that some portion of the deferred income tax asset will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is at least more-likely-than-not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position. The amount of the tax benefit that is recognized is measured as the largest amount of benefit that is more-likely-than-not to be realized upon effective settlement. The Company classifies interest and penalties accrued in connection with unrecognized tax benefits as income tax expense in its consolidated statement of operations.

Derivative Financial Instruments

Education Management LLC (“EM LLC”), an indirect wholly-owned subsidiary of the Company, utilizes interest rate swap agreements, which are contractual agreements to exchange payments based on underlying interest rates, to manage a portion of its floating rate term debt. The swaps are accounted for as an asset or a liability in the consolidated balance sheets at fair value. The Company uses “Level Two” inputs to value its interest rate swaps, which are defined in Note 11, “Fair Value of Financial Instruments.” The application of these Level Two inputs is based on LIBOR forward curves and an assessment of non-performance risk based upon published market data. If interest rate swap agreements are deemed highly effective for accounting purposes and are designated as cash flow hedges, the changes in their fair values are recorded in other comprehensive income (loss), net of tax. If they are not deemed highly effective, the changes in their fair values are recorded in interest expense in the consolidated statements of operations. The Company does not use derivative financial instruments for trading or speculative purposes. Refer to Note 10, “Derivative Instruments,” for more information.

Foreign Currency Translation

The financial position and results of operations of the Company’s foreign subsidiary are initially measured at its functional currency, which is the Canadian dollar. Accordingly, the assets and liabilities of the foreign subsidiary are translated to U.S. dollars using the exchange rates in effect at the balance sheet date. Revenues and expenses are translated into U.S. dollars using average monthly exchange rates. Translation adjustments resulting from this process are recorded as a separate component of equity designated as accumulated other comprehensive income (loss) in the consolidated balance sheets. Translation gains and losses were not material in fiscal 2013 or 2012.

Share-Based Compensation

The Black-Scholes-Merton option pricing model is used to determine the fair value of all of the Company’s stock options at the grant date. The Company recognizes compensation costs on time-based options and restricted stock on a straight-line basis over the requisite service period, which is generally the vesting term. The Company has not recognized compensation cost on the performance-based options because the vesting conditions are not probable of being met at June 30, 2013. See Note 13, “Share-Based Compensation,” for more information.

Contingencies

The Company accrues for contingent obligations when it is probable that a liability has been incurred and the amount is reasonably estimable. As facts concerning contingencies become known, management reassesses its position and makes appropriate adjustments to the consolidated financial statements.

Costs and Expenses

Educational services expense consists primarily of costs related to the development, delivery and administration of the Company's education programs. Major cost components are faculty compensation, administrative salaries, facility occupancy costs, bad debt expense, costs of educational materials and information systems costs.

General and administrative expense consists of marketing and student admissions expenses and certain central staff costs such as executive management, finance and accounting, legal, corporate development and other departments that do not provide direct services to the Company's education programs.

Marketing costs are expensed in the fiscal year incurred and are classified as general and administrative expense in the accompanying consolidated statements of operations. The Company's marketing expense was $255.0 million and $296.9 million during the fiscal years ended June 30, 2013 and 2012, respectively.

3. GOVERNMENT REGULATIONS

Most of the students at the Company's schools based in the United States rely, at least in part, on financial assistance to pay for the cost of their education. In the United States, the largest sources of such support are the federal student aid programs under Title IV of the Higher Education Act of 1965, as amended ("HEA"). Additional sources of funds include other federal grant programs, state grant and loan programs, private loan programs and institutional grants and scholarships. To provide students access to financial assistance resources available through Title IV programs, a school must be (i) authorized to offer its programs of instruction by the relevant agency of the states in which it is physically located and comply with applicable state requirements regarding fully-online programs, (ii) institutionally accredited by an agency recognized by the U.S. Department of Education, and (iii) certified as an eligible institution by the U.S. Department of Education. In addition, the school must ensure that Title IV program funds are properly accounted for and disbursed in the correct amounts to eligible students and remain in compliance generally with the Title IV program regulations. Most of the U.S. Department of Education's requirements, such as the financial responsibility standards and the 90/10 Rule, which are described in greater detail below, are applied on an institutional basis, with an institution defined as a main campus and its additional locations, if any. As of June 30, 2013, 18 of the Company's 110 primary locations were recognized by the U.S. Department of Education as main campuses.

Financial Responsibility Standards. Education institutions participating in Title IV programs must satisfy a series of specific standards of financial responsibility. The U.S. Department of Education has adopted standards to determine an institution's financial responsibility to participate in Title IV programs. The regulations establish three ratios: (i) the equity ratio, intended to measure an institution's capital resources, ability to borrow and financial viability; (ii) the primary reserve ratio, intended to measure an institution's ability to support current operations from expendable resources; and (iii) the net income ratio, intended to measure an institution's profitability. Each ratio is calculated separately, based on the figures in the institution's most recent annual audited financial statements, and then weighted and combined to arrive at a single composite score. The composite score must be at least 1.5 in order for the institution to be deemed financially responsible without conditions or additional oversight. If an institution fails to meet any of these requirements, the U.S. Department of Education may set restrictions on the institution's eligibility to participate in Title IV programs. Institutions are evaluated for compliance with these requirements as part of the U.S. Department of Education's renewal of certification process and also annually as each institution submits its audited financial statements to the U.S. Department of Education.

As of June 30, 2013, the Company did not meet the required quantitative measures of financial responsibility on a consolidated basis due to the amount of indebtedness incurred and goodwill it recorded in connection with the Transaction. Accordingly, the Company is required by the U.S. Department of Education to post a letter of credit and is subject to provisional certification and additional financial and cash monitoring of its disbursements of Title IV funds. The amount of this letter of credit was $348.6 million at June 30, 2013, which equals 15% of the total Title IV aid received by students attending the Company's institutions during the fiscal year ended June 30, 2012. The Company expects to be required to renew this letter of credit at the current level for as long as its schools remain provisionally certified, although the U.S. Department of Education could increase or decrease the percentage of the Title IV funds used to determine the size of the letter of credit. Refer to Note 9, "Short-Term and Long-Term Debt," for more information.

The "90/10 Rule." Under a provision of the HEA commonly referred to as the "90/10 Rule," an institution will cease to be eligible to participate in Title IV programs if, on a cash accounting basis, more than 90% of its revenues for each of two consecutive fiscal years were derived from Title IV programs as calculated under the applicable regulations. If an institution loses its Title IV eligibility under the 90/10 Rule, it may not reapply for eligibility until the end of two fiscal years. Institutions that fail to satisfy the 90/10 Rule for one fiscal year are placed on provisional certification. All of the Company's institutions satisfied the 90/10 Rule in the fiscal years ended June 30, 2013 and 2012.

4. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed using the weighted average number of shares outstanding during the period. The Company uses the treasury stock method to compute diluted EPS, which assumes that restricted stock was converted into common stock and that outstanding stock options were exercised and the resulting proceeds were used to acquire shares of common stock at its average market price during the reporting period.

Basic and diluted EPS were calculated as follows (in thousands, except per share amounts):

	For the Fiscal Year Ended June 30, 2013	2012
Net loss	$ (267,976)	$ (1,515,741)
Weighted average number of shares outstanding:		
Basic	124,560	126,659
Effect of stock-based awards	—	—
Diluted	124,560	126,659
Loss per share:		
Basic	$ (2.15)	$ (11.97)
Diluted	$ (2.15)	$ (11.97)

All outstanding time-based stock options and restricted stock units were excluded from the computation of diluted EPS for the fiscal years ended June 30, 2013 and 2012 because the Company recorded a net loss.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30 (in thousands):

Asset Class	2013	2012
Leasehold improvements	$ 570,286	$ 545,646
Technology and other equipment	324,403	307,511
Furniture and equipment	163,595	158,464
Software	98,537	86,810
Library books	44,248	42,706
Buildings and improvements	25,566	74,783
Land	5,495	16,712
Construction in progress	19,601	21,725
Total	1,251,731	1,254,357
Less accumulated depreciation	(726,106)	(602,560)
Property and equipment, net	$ 525,625	$ 651,797

Depreciation and amortization expense related to property and equipment was $157.9 million and $151.0 million for the fiscal years ended June 30, 2013 and 2012, respectively. Included in these amounts is amortization expense on software of $20.2 million and $14.7 million, respectively. Amortization expense on software assets for the year ended June 30, 2013 included $4.6 million in accelerated amortization resulting from the write-off of a software asset that no longer had a useful life.

During fiscal 2013, the Company recorded a long-lived asset impairment of $1.2 million in the consolidated statement of operations because anticipated future cash flows at one of the Company’s Argosy University locations could not support the carrying value of its property and equipment, which primarily consisted of leasehold improvement assets. The remaining balance of property and equipment at this location is not significant.

During the year ended June 30, 2013, the Company completed five sale-leaseback transactions with unrelated third parties for net proceeds of $65.1 million. Concurrent with these sales, the Company entered into agreements to lease the properties back from the purchasers over initial lease terms ranging from three to 15 years. The Company classified these leases as operating and considers them normal leasebacks with no other continuing involvement. The Company recorded a net loss of $3.5 million related to these transactions at the time of their closings at several dates within the fiscal year and deferred gains of approximately $18.2 million, which will be recognized over the initial terms of the new leases as a reduction to educational services expense. At June 30, 2013, the amount of deferred gains remaining was $16.6 million, which is classified within deferred rent on the consolidated balance sheet.

6. GOODWILL AND INTANGIBLE ASSETS

Goodwill

In connection with the Transaction, the Company recorded approximately $2.6 billion of goodwill, which was allocated to its four reporting units: The Art Institutes, Argosy University, Brown Mackie Colleges and South University. The goodwill balance attributed to the Brown Mackie Colleges reporting unit was fully written off in connection with an impairment charge incurred during fiscal 2012. A roll forward of the Company's consolidated goodwill balance from June 30, 2011 to June 30, 2013 is as follows (in thousands):

	Balance at June 30, 2011	Impairment Charge	Balance at June 30, 2012	Impairment Charge	Balance at June 30, 2013
The Art Institutes	$ 1,984,688	$ (1,123,069)	$ 861,619	$ (294,460)	$ 567,159
Argosy University	219,350	(155,905)	63,445	—	63,445
Brown Mackie Colleges	254,561	(254,561)	—	—	—
South University	123,400	(84,914)	38,486	—	38,486
Total EDMC	$ 2,581,999	$ (1,618,449)	$ 963,550	$ (294,460)	$ 669,090

The market capitalization of the Company's equity was approximately 18% lower than its carrying value at March 31, 2013 and was below carrying value for all but five days of the quarter then ended. Due primarily to this factor, the Company did not believe that it was more-likely-than-not that the fair values of each of its reporting units exceeded their respective carrying values as of March 31, 2013 and performed a step one interim goodwill impairment test for The Art Institutes, Argosy University and South University reporting units. The results indicated that the Argosy University and South University reporting units each had fair values in excess of their carrying values by more than 35%. However, the test indicated that the fair value of The Art Institutes was slightly below its carrying value as of March 31, 2013. Therefore, a step two test was required to be performed for The Art Institutes reporting unit, which yielded a goodwill impairment charge of $294.5 million in the quarter ended March 31, 2013. None of this charge was deductible for income tax purposes.

The Company estimated the fair value of its reporting units in step one using a combination of the discounted cash flow method (income approach) and the guideline public company method (market approach), which takes into account the relative price and associated earnings multiples of publicly-traded peer companies. These approaches utilize a significant number of unobservable "Level Three" inputs, such as future cash flow assumptions and the selection of a discount rate. See Note 11, "Fair Value of Financial Instruments," for a description of Level Three inputs.

The valuation of the Company's reporting units under the discounted cash flow method (income approach) requires the use of internal business plans that account for expected future economic conditions, demand and pricing for the Company's educational services, costs, inflation and discount rates, and other factors and are based on the use of judgments and estimates that involve inherent uncertainties. The Company's measurement of the fair values of its reporting units is dependent on the accuracy of the assumptions used and how the Company's estimates compare to future operating performance. The key assumptions used are, but are not limited to, the following:

- <u>Future cash flow assumptions</u> — The Company's projections are based on organic growth and are derived from assumptions regarding future growth and profitability trends. These projections also take into account the current economic climate and the extent to which the regulatory environment is expected to impact future growth opportunities. The Company's analysis incorporated an assumed period of cash flows with a terminal value determined using the Gordon Growth Model.

- Discount rate — The discount rate is based on each reporting unit's estimated weighted average cost of capital ("WACC"). The three components of WACC are the cost of equity, cost of debt and capital structure, each of which requires judgment by management to estimate. The Company develops its cost of equity estimate using the Capital Asset Pricing Model based on perceived risks and predictability of each reporting unit's future cash flows. The cost of debt component represents a market participant's estimated cost of borrowing, which the Company estimates using the average return on corporate bonds as of the valuation date, adjusted for taxes. At March 31, 2013, the WACC used to estimate the fair value of The Art Institutes reporting unit was 15.0%, while the Argosy University and South University reporting units used a WACC of 17.5% and 18.0%, respectively.

The step one interim impairment tests performed as of March 31, 2013 used cash flow projections and market data as of that date. The Company does not believe that cash flow projections or the earnings multiples of its publicly-traded peer companies changed materially between March 31, 2013 and the Company's annual assessment date, which is April 1, 2013. In addition, management considered the change in the Company's stock price between these dates and concluded that based on all the available evidence, the impairment test performed as of March 31, 2013 was appropriate to use as the Company's annual April 1, 2013 test.

The Company also recognized $1,618.4 million in goodwill impairment charges during the fiscal year ended June 30, 2012, the majority of which was not deductible for income tax purposes. No impairments were recorded in any period before fiscal 2012.

Intangible Assets

Intangible assets other than goodwill consisted of the following amounts at June 30 (in thousands):

	2013		2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trade name – The Art Institute	$ 190,000	$ —	$ 218,000	$ —
Licensing, accreditation and Title IV program participation	95,862	—	95,862	—
Curriculum and programs	43,575	(32,596)	38,702	(28,541)
Student contracts, applications and relationships	39,511	(37,381)	39,511	(36,270)
Favorable leases and other	19,424	(17,960)	19,424	(16,659)
Total intangible assets	$ 388,372	$ (87,937)	$ 411,499	$ (81,470)

At March 31, 2013, the Company also revalued The Art Institute trade name using the relief from royalty method (income approach), which is the same method the Company used to value this asset at the Transaction date. The relief from royalty method focuses on the level of royalty payments that the user of an intangible asset would have to pay a third party for the use of the asset if it were not owned by the user. Utilizing Level Three inputs, which consisted of revenue projections at March 31, 2013 and assumptions of a royalty rate of 2.0% and a discount rate of 15.5%, the Company determined there was an impairment of $28.0 million that was required for this asset during the third quarter of fiscal 2013.

The Company also revalued the licensing, accreditation and Title IV program participation assets for all reporting units at March 31, 2013 using the same approaches used to value these assets as of the date of the Transaction. These assets were valued by a combination of the cost and income approaches. The cost approach is used for the licensing and accreditation portions of this asset. Numerous factors are considered in order to estimate the Title IV portion of the asset, including the estimated amount of time it would take for an institution to qualify for Title IV funds as a new operation, the number of students currently receiving federal financial aid, the amount schools would have to lend students during the estimated time it would take to qualify for Title IV funds and the present value of projected cash flows. The Company did not record any impairments to these assets during the fiscal year ended June 30, 2013.

Additionally, the Company recorded a $128.3 million impairment of indefinite-lived intangible assets during the fiscal year ended June 30, 2012, which consisted of a $112.0 million impairment of the trade name of The Art Institutes and impairment charges on the licensing, accreditation and Title IV program assets of $15.0 million and $1.3 million, respectively, at The Art Institutes and Argosy University.

Trade names are often considered to have useful lives similar to that of the overall business, which generally means such assets are assigned an indefinite life for accounting purposes. State licenses and accreditations of the Company's schools as well as their eligibility for Title IV program participation are periodically renewed in cycles ranging from every year to up to every 10 years depending upon government and accreditation regulations. Because the Company considers these renewal processes to be a routine aspect of the overall business, these assets are assigned indefinite lives.

Amortization of intangible assets was $6.8 million and $7.6 million during the fiscal years ended June 30, 2013 and 2012, respectively. Total estimated amortization of the Company's intangible assets for each of the years ending June 30, 2014 through 2018 was as follows at June 30, 2013 (in thousands):

Fiscal years	Amortization Expense
2014	$ 5,666
2015	5,050
2016	3,694
2017	105
2018	58

7. STUDENT RECEIVABLES

Student receivables include $24.3 million (net of $27.9 million allowance) and $15.3 million (net of $19.5 million allowance) recorded in other long-term assets on the accompanying consolidated balance sheets. These amounts relate to the extension of credit to students for amounts due beyond one year, which helps students fund the difference between total tuition and fees and the amount covered by various sources of financial aid, including amounts awarded under Title IV programs, private loans and cash payments. During fiscal 2013, the Company extended the repayment period for financing made available to students from a maximum of 36 months beyond graduation to a maximum of 42 months beyond graduation. The majority of applicable accounts incur interest charges that accrue each month on unpaid balances except for those accounts that have been placed into collections. The Company monitors its student receivables based on enrollment status. Receivables from students who are out-of-school are reserved for at a higher rate than the receivables from students that are in-school. The gross current and noncurrent student receivables by student status were as follows at June 30 (in thousands):

	2013	2012
In-school	$ 194,062	$ 192,432
Out-of-school	239,330	271,331
Gross student receivables *	$ 433,392	$ 463,763

A roll forward of the Company's total allowance for doubtful accounts and loan loss reserves from June 30, 2011 to June 30, 2013 is as follows (in thousands):

Balance June 30, 2011	$	199,357
Bad debt expense		163,926
Amounts written off		(113,001)
Balance June 30, 2012		250,282
Bad debt expense		171,850
Amounts written off *		(213,884)
Balance June 30, 2013	$	208,248

* As explained in Note 2, "Summary of Significant Accounting Policies," the Company reduced the number of days after which accounts in collections are written off during fiscal 2013.

The amounts set forth above are recorded within student receivables, net and other long-term assets on the consolidated balance sheets. Recoveries of amounts previously written off were not significant in any period presented.

The Company commenced a new student lending program in fiscal 2013 under which it purchases loans awarded and disbursed to its students from a private lender. The Company purchased $0.9 million of loans during fiscal 2013, which are recorded in other long-term assets, net of the allowance for loan losses, at June 30, 2013.

8. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at June 30 (in thousands):

	2013	2012
Payroll and related taxes	$ 35,668	$ 50,291
Advertising	33,010	24,837
Benefits	16,235	14,014
Interest	10,416	3,296
Capital expenditures	4,113	5,624
Other	57,975	39,286
Total accrued liabilities	$ 157,417	$ 137,348

During the fiscal year ended June 30, 2013, the Company completed restructuring plans intended to improve operational efficiencies at all of its education systems and recorded related charges of $13.7 million. The restructuring charges were recorded in educational services expense and general and administrative expense on the consolidated statement of operations and consisted of $11.6 million related to employee severance costs, primarily at The Art Institutes segment, and lease abandonment charges of $2.1 million. At June 30, 2013, the remaining liabilities for restructuring plans totaled $5.3 million, consisting of severance amounts expected to be paid during fiscal 2014 and net rent charges to be paid through the remainder of the terms of the abandoned leases.

9. SHORT-TERM AND LONG-TERM DEBT

U.S. Department of Education Letters of Credit

The Company had outstanding letters of credit of $353.0 million at June 30, 2013, the largest of which is issued to the U.S. Department of Education, which requires that the Company maintain a letter of credit due to its failure to satisfy certain regulatory financial ratios after giving effect to the Transaction. In December 2012, the U.S. Department of Education decreased the amount of the required letter of credit from $414.5 million to $348.6 million, which equals 15% of the total Title IV aid received by students attending the Company's institutions during the fiscal year ended June 30, 2012.

During fiscal 2012, the Company entered into two cash secured letter of credit facilities pursuant to which the lenders agreed to issue letters of credit at any time to the U.S. Department of Education in an aggregate face amount of up to $200.0 million. The Company's obligations with respect to such letters of credit are secured by liens in favor of the lenders on certain of the Company's cash deposits, which must total at least 105% of the aggregate face amount of any outstanding letters of credit. These two facilities currently mature on July 8, 2014 or earlier if the existing revolving credit facility is terminated.

As of June 30, 2013, in order to fund its current letter of credit obligation to the U.S. Department of Education, the Company used all $200.0 million of capacity under the cash secured letter of credit facilities, in connection with which the Company classifies $210.0 million as restricted cash to satisfy the 105% collateralization requirement described above and utilized $148.6 million letter of credit capacity under its revolving credit facility. Any future reduction in the usage of the cash secured letter of credit facilities will reduce the amount of cash that is classified as restricted cash on the consolidated balance sheet.

Short-Term Debt

At June 30, 2013 and 2012, the Company had $75.0 million and $111.3 million, respectively, of borrowings outstanding under the $328.3 million revolving credit facility, which expires on June 1, 2015. These borrowings existed in order to satisfy year-end regulatory financial ratios. The balances were classified as short-term debt on the consolidated balance sheets as the amounts outstanding were repaid in full on the first business day of the following fiscal year. After adjusting for outstanding letters of credit under the revolving credit facility, which decrease its availability for borrowings, the Company had $100.3 million additional capacity under the revolving credit facility at June 30, 2013 available for borrowings or issuance of letters of credit.

The interest rate on amounts outstanding at June 30, 2013 and 2012 under the revolving credit facility was 6.25%, which equals prime plus a margin of 3.00%. The applicable margin for borrowings under the revolving credit facility can change dependent on certain leverage ratios and credit ratings. EM LLC is obligated to pay a per annum commitment fee on undrawn amounts under the revolving credit facility, which is currently 0.375% and varies based on certain leverage ratios. The Company must also pay customary letter of credit fees. The revolving credit facility is secured by certain of EM LLC's assets and is subject to EM LLC's satisfaction of certain covenants and financial ratios described below.

Long-Term Debt

The Company's long-term debt consisted of the following at June 30 (in thousands):

	2013	2012
Senior secured term loan facility, due in June 2016 (Tranche C-2 Loan)	$ 736,454	$ 744,539
Senior secured term loan facility, due in March 2018, net of discount of $2,898 and $3,508 (Tranche C-3 Loan)	342,364	345,545
Senior cash pay/PIK notes due 2018, net of discount of $27,712 (New Notes)	206,242	—
8.75% senior notes	—	375,000
Other	180	460
Total long-term debt	1,285,240	1,465,544
Less current portion	(12,076)	(12,076)
Total long-term debt, less current portion	$ 1,273,164	$ 1,453,468

At June 30, 2013, future annual principal payments on long-term debt and related instruments were as follows for the fiscal years ending June 30 (in thousands):

Fiscal year:	**Amount**
2014	$ 12,076
2015	11,875
2016	724,051
2017	3,753
2018	330,141
Thereafter	255,944
Total	$ 1,337,840

These amounts are presented gross of the $2.9 million discount on the senior secured term loan facility due in March 2018 and the $27.7 million discount on the New Notes and include $22.0 million of unamortized PIK interest that is capitalized to the principal balance of the New Notes through its maturity in July 2018.

Senior Secured Credit Facilities

On March 30, 2012, EM LLC completed a refinancing of the $348.6 million portion of the $1.1 billion term loan under its senior secured credit facility that was due to expire in June 2013 by replacing it with $350.0 million of new term debt under the same credit agreement (the "Tranche C-3 Loan"). The Tranche C-3 Loan, which matures in March 2018, was issued with an original issue discount at 97.0% and accrues interest at a rate equal to the greater of LIBOR or 1.25%, plus a margin of 7.0%. In connection with the refinancing, the Company capitalized $4.3 million of third-party costs as deferred financing fees within other long-term assets, of which $0.7 million was paid to an affiliate of one of the Sponsors. Additionally, the Company capitalized a $3.7 million discount as a reduction to long-term debt at the time of this refinancing. These capitalized fees will be charged to interest expense over the life of the debt through the maturity date.

On December 7, 2010, EM LLC entered into an agreement to amend and extend a portion of its senior secured credit facility. Holders of an aggregate of $758.7 million of then-outstanding amounts under the term loan agreed to extend the maturity date of their respective portions of the term loan from June 1, 2013 to June 1, 2016 at an interest rate of LIBOR + 4.00% (the "Tranche C-2 Loan"). In addition to the extension of the maturity date of the term loan borrowing, lenders providing $328.3 million under the revolving credit facility extended their commitments to June 1, 2015. The LIBOR-based interest rate payable to lenders that agreed to extend the maturity of their revolving commitments increased to LIBOR + 4.00%. The prime-based interest rate payable to lenders that agreed to extend the maturity of their revolving credit commitments increased to the prime rate plus a margin of 3.0%. Lenders that elected not to extend those commitments had their commitments expire on the original maturity date of June 1, 2012. The Company capitalized $2.1 million of third-party costs as a result of the refinancing. The lenders also approved other amendments to the senior secured credit facilities, including an increase to the covenant basket amount for capital expenditures and certain restricted payments and the ability to use cash to collateralize letters of credit.

In connection with the March 2012 transaction described above, the Company recorded a loss on debt refinancing of $9.5 million in the fiscal year ended June 30, 2012, which consisted of $2.0 million of previously deferred financing fees that were being amortized through the original maturity date and $7.5 million paid to lenders.

Both tranches of the term loan may be prepaid at any time, subject with respect to the Tranche C-3 Loan to substantial penalties in connection with any prepayment prior to March 30, 2014. The Tranche C-3 Loan bears interest at a rate equal to the greater of three-month LIBOR or 1.25%, plus a margin of 7.0%, or 8.25% at June 30, 2013 and 2012. The Tranche C-2 Loan bears interest at a rate equal to three-month LIBOR plus a margin of 4.00%, or 4.31% and 4.50% at June 30, 2013 and June 30, 2012, respectively.

The senior secured credit facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, EM LLC's ability to incur additional indebtedness, pay dividends and distributions on or repurchase capital stock, create liens on assets, repay subordinated indebtedness, make investments, loans or advances, make capital expenditures, engage in certain transactions with affiliates, amend certain material agreements, change its lines of business, sell assets and engage in mergers or consolidations. In addition, EM LLC is required to satisfy and maintain a maximum total leverage ratio and a minimum interest coverage ratio under the senior secured credit facilities on a quarterly basis. EM LLC met the requirements of these two financial covenants in each of the fiscal years ended June 30, 2013 and 2012.

The credit agreement also contains certain customary affirmative covenants and events of default and has a cross-default provision to debt with a principal amount of greater than $50.0 million, which would cause the term loan to be prepaid or redeemed in the event of a default with respect to such debt.

All obligations under the senior secured credit facilities, including the revolving credit facility, are unconditionally guaranteed by Education Management Holdings LLC and all of the EM LLC's subsidiaries other than subsidiaries that own or operate a school and inactive subsidiaries that have less than $100,000 of assets. The senior secured credit facilities are also secured by pledges of the capital stock of the Company and each guarantor and a security interest in, and mortgages on, substantially all the tangible and intangible assets of the Company and each guarantor.

The senior secured credit facilities require EM LLC to prepay outstanding term loans, subject to certain exceptions, in the case of excess cash flow and in the event of certain asset sales, casualty and condemnation events and issuances of debt. In addition, EM LLC is required to make installment payments on the outstanding term loans during the life of the debt in quarterly principal amounts of 0.25% of the initial principal amount, with the remaining amount payable upon maturity.

Senior Cash Pay/PIK Notes

On March 5, 2013, EM LLC and Education Management Finance Corp. (a wholly-owned subsidiary of EM LLC) completed a private exchange offer (the "Exchange Offer") in which they offered to exchange their 8.75% senior notes due June 1, 2014 ("Old Notes") for (i) new Senior Cash Pay/PIK Notes due July 1, 2018 ("New Notes") and (ii) cash. In connection with the Exchange Offer and a simultaneous private exchange on the same terms, the Company issued $203.0 million of New Notes and paid down $162.3 million of Old Notes with cash on hand. The remaining Old Notes of $9.7 million not tendered in the Exchange Offer were extinguished in April 2013 at par. Included in the $365.3 million of Old Notes tendered for exchange was $4.0 million owned by an affiliate of one of the Sponsors. The Company incurred $5.2 million of fees to third parties in connection with this transaction that were reported as a loss on debt refinancing in the consolidated statement of operations in the current year. Included in these third-party fees was $2.9 million paid to affiliates of one of the Sponsors.

Cash interest on the New Notes accrues at the rate of 15% per annum and is payable semiannually on March 30 and September 30, commencing on September 30, 2013. For any interest period after March 30, 2014 up to and including July 1, 2018, interest in addition to the cash interest payable will be paid by increasing the principal amount of the outstanding New Notes or by issuing additional New Notes ("PIK Interest"). PIK Interest on the New Notes accrues at a rate of (i) 1.0% per annum for the period from March 30, 2014 through and including March 30, 2015, (ii) 2.0% per annum for the period from March 31, 2015 through and including March 30, 2016, (iii) 3.0% per annum for the period from March 31, 2016 through and including March 30, 2017 and (iv) 4.0% per annum for the period from March 31, 2017 through and including July 1, 2018. Additionally, the New Notes are required to be paid at a premium of 13% at their contractual maturity, which is being treated as an original issuance discount for accounting purposes. Including PIK interest and the original issuance discount, the annual effective interest rate on the New Notes is 19.8%.

The New Notes are unsecured obligations that rank senior in right of payment to future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the New Notes. They (i) rank equally in right of payment to all existing and future senior debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the New Notes, (ii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt, and (iii) are structurally subordinated to all obligations of each subsidiary of EM LLC that is not a guarantor of the New Notes.

The New Notes are redeemable in whole or in part, at the option of EM LLC, at any time at varying redemption prices that generally include premiums, which are defined in the indenture governing the New Notes. In addition, upon a change of control, EM LLC is required to make an offer to redeem all of the New Notes at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

The indenture governing the New Notes contains a number of covenants that restrict, subject to certain exceptions, EM LLC’s ability and the ability of its restricted subsidiaries to incur additional indebtedness or issue certain preferred shares, pay dividends on or make other distributions in respect of its capital stock or make other restricted payments, make certain investments, enter into certain types of transactions with affiliates, create liens securing certain debt without securing the New Notes, sell certain assets, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and designate its subsidiaries as unrestricted subsidiaries.

10. DERIVATIVE INSTRUMENTS

EM LLC has historically utilized interest rate swap agreements, which are contractual agreements to exchange payments based on underlying interest rates, to manage the floating rate portion of its term debt. In April 2011, the Company entered into three new interest rate swap agreements for an aggregate notional amount of $950.0 million, each of which became effective on July 1, 2011. One swap agreement, which expired on June 1, 2013, was for a notional amount of $325.0 million and effectively fixed future interest payments at a maximum rate of 9.44%. The other two swap agreements, one of which was entered into with an affiliate of one of the Sponsors, are for notional amounts of $312.5 million each and effectively fix future interest payments at a rate of 6.26% through June 1, 2015. Because both interest rate swaps are deemed to be highly effective for accounting purposes, they qualify for cash flow hedge accounting treatment and changes in their fair values are recorded in other comprehensive income or loss.

At June 30, 2013, there was a cumulative unrealized loss of $12.7 million, net of tax, related to these interest rate swaps included in accumulated other comprehensive loss on the Company’s accompanying consolidated balance sheet, which would be immediately recognized in the consolidated statement of operations if these instruments fail to meet certain cash flow hedge requirements. The fair values of the interest rate swap liabilities were $20.2 million and $30.1 million at June 30, 2013 and 2012, respectively, and were recorded in other long-term liabilities on the accompanying consolidated balance sheets. Over the next 12 months, the Company estimates approximately $7.8 million will be reclassified from accumulated other comprehensive loss to the consolidated statement of operations based on current interest rates and underlying debt obligations at June 30, 2013.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determines the fair value of assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. The fair value hierarchy is based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s own assumptions of what market participants would use.

The fair value hierarchy includes three levels of inputs that may be used to measure fair value as described below.

Level One – Quoted prices for identical instruments in active markets.

Level Two – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations for which all significant inputs are observable market data.

Level Three – Unobservable inputs significant to the fair value measurement supported by little or no market activity.

In some cases, the inputs used to measure fair value may meet the definition of more than one level of fair value hierarchy. The lowest level input that is significant to the fair value measurement in its totality determines the applicable level in the fair value hierarchy.

The following table presents the carrying amounts and fair values of the interest rate swap liabilities, which are measured at fair value on a recurring basis based on the framework described in Note 10, "Derivative Instruments," and the fair values of the Company's debt, which is recorded at carrying value (in thousands):

	June 30, 2013				June 30, 2012			
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Recurring:								
Interest rate swap liability	$ 20,232	$ —	$ 20,232	$ —	$ 30,114	$ —	$ 30,114	$ —
Disclosure only:								
Variable rate debt	1,078,818	—	962,134	—	1,090,084	—	980,477	—
Fixed rate debt	206,422	—		206,422	375,460	341,710	—	—

The fair value of the Company's debt is based on each instrument's trading value at the dates presented. The New Notes originated in March 2013 in connection with the Exchange Offer described in Note 9, "Short-Term and Long-Term Debt," were not trading as of June 30, 2013; however, the Company believes that its fair value was not materially different than its carrying value at June 30, 2013. Cash and cash equivalents, restricted cash, student accounts receivable, notes receivable, the revolving credit facility, accounts payable and accrued expenses have fair values that approximate their carrying values.

As described in Note 6, "Goodwill and Intangible Assets," the Company recorded goodwill and indefinite-lived intangible asset impairments during fiscal 2013 and fiscal 2012. Additionally, the Company recorded a $1.2 million impairment described in Note 5, "Property and Equipment." This resulted in the following assets being measured at fair value on a non-recurring basis using Level Three inputs:

- Goodwill at The Art Institutes reporting unit at March 31, 2013 and June 30, 2012;
- The trade name for The Art Institutes reporting unit at March 31, 2013 and June 30, 2012;
- The licensing, accreditation and Title IV program participation assets at The Art Institutes and Argosy University reporting units at June 30, 2012;
- Goodwill at the Brown Mackie Colleges, South University and Argosy University reporting units at March 31, 2012; and
- Certain long-lived assets at one of the Company's schools at March 31, 2013.

12. INCOME TAXES

The composition of loss before taxes from domestic and foreign locations was as follows for the fiscal years ended June 30 (in thousands):

	2013	2012
Domestic	$ (256,739)	$ (1,531,052)
Foreign	801	1,568
Loss before taxes	$ (255,938)	$ (1,529,484)

The components of income tax expense (benefit) reflected in the accompanying consolidated statements of operations were as follows for the fiscal years ended June 30 (in thousands):

	2013	2012
Current taxes:		
Federal	$ 32,441	$ 104,730
State and local	(1,563)	14,027
Total current tax provision	30,878	118,757
Deferred tax benefit	(18,840)	(132,500)
Income tax expense (benefit)	$ 12,038	$ (13,743)

Income tax expense (benefit) reflected in the accompanying consolidated statements of operations varies from the amounts that would have been provided by applying the United States federal statutory income tax rate to earnings before income taxes as shown below for the fiscal years ended June 30 (in thousands):

	2013	2012
U.S. federal statutory income tax	$ (89,579)	$ (535,319)
State and local income taxes, net of federal benefit	(196)	(7,016)
Increase in valuation allowance	151	3,069
State tax settlements, net of federal benefit	(3,808)	—
Permanent items	2,913	1,477
Nondeductible goodwill	103,061	525,527
Uncertain tax positions	(490)	(602)
Other items, net	(14)	(879)
Income tax expense (benefit)	$ 12,038	$ (13,743)

The effective tax rates in the current and prior fiscal years were significantly impacted by goodwill impairment charges, the majority of which were not deductible for income tax purposes.

Net deferred income tax assets and liabilities consisted of the following at June 30 (in thousands):

	2013	2012
Current deferred tax assets:		
Allowance for doubtful accounts	$ 71,769	$ 95,571
Accrued wages	6,872	11,560
Other	3,434	3,372
Gross current deferred tax assets	82,075	110,503
Less valuation allowance	(5,148)	(7,835)
Total current deferred tax assets	$ 76,927	$ 102,668
Noncurrent deferred tax assets:		
Interest rate swap	$ 8,819	$ 13,125
Deferred liabilities	35,683	28,314
Foreign and state net operating losses	7,990	7,446
Share-based compensation	24,023	17,317
Other	26,981	20,708
Gross noncurrent deferred tax assets	103,496	86,910
Less valuation allowance	(19,677)	(17,432)
Total noncurrent deferred tax assets	83,819	69,478
Noncurrent deferred tax liabilities:		
Intangible assets	128,185	134,963
Property and equipment	25,657	46,124
Other	293	158
Total noncurrent deferred tax liabilities	154,135	181,245
Total net noncurrent deferred tax liabilities	$ 70,316	$ 111,767

As discussed in Note 6, “Goodwill and Intangible Assets,” the Company incurred long-lived asset impairment charges of $323.7 million, of which $294.5 million related to goodwill that was not deductible, and $1,746.8 million, of which $1,501.6 million related to goodwill that was not deductible, in fiscal 2013 and 2012, respectively. These impairment charges were the primary factor contributing to the Company being in a cumulative pre-tax loss position for the past three years. Absent these impairment charges, the Company would have recorded pre-tax earnings in fiscal 2013 and 2012. Management considered the cumulative loss for book purposes and concluded that it was more-likely-than-not the Company’s deferred tax assets would be realized (except as disclosed below with respect to certain state deferred tax assets), and accordingly, no valuation allowance was required.

At June 30, 2013, the Company had state net operating loss carryforwards of approximately $134.7 million available to offset future taxable income and a related deferred tax asset of $8.0 million. The carryforwards expire at varying dates beginning in fiscal 2025 through fiscal 2033. The Company has determined that it is currently more-likely-than-not that the deferred tax assets associated with $128.3 million of its state net operating loss carryforwards will not be realized and has established a valuation allowance equal to the gross deferred tax asset balance of $7.7 million related to these net operating loss carryforwards. In addition, certain of the Company’s state net operating losses may be subject to annual limitations due to these states’ adoption of the ownership change limitations imposed by Internal Revenue Code Section 382 or similar state provisions, which could result in the expiration of the state net operating loss carryforwards before they can be utilized.

The recognition and measurement of tax benefits associated with uncertain income tax positions requires the use of judgment and estimates by management, which are inherently subjective. Changes in judgment about uncertain tax positions taken in previous periods may result from new information concerning an uncertain tax position, completion of an audit or the expiration of statutes of limitation. These changes may create volatility in the Company's effective tax rate in future periods.

A reconciliation of the beginning and ending balance of unrecognized tax benefits, excluding interest expense and the indirect benefits of state taxes, for the fiscal years ended June 30 is as follows (in thousands):

	2013	2012
Unrecognized tax benefits, beginning of year	$ 4,523	$ 5,438
Increase in prior year unrecognized tax benefits	—	—
Decrease in prior year unrecognized tax benefits	—	(93)
Increase in current year unrecognized tax benefits	127	58
Decrease in unrecognized tax benefits due to the expiration of statutes of limitation	(688)	(880)
Unrecognized tax benefits, end of year	$ 3,962	$ 4,523

All of the Company's $4.0 million in unrecognized tax benefits, excluding interest expense and the indirect benefit of state taxes, would affect the annual effective tax rate if recognized. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by $2.9 million within the next 12 months due to the expiration of certain statutes of limitation. The resulting benefit, if recognized, would affect the tax rate as a discrete item in the quarter ending March 31, 2014.

The Company classifies interest expense and penalties accrued in connection with unrecognized tax benefits as income tax expense in its consolidated statement of operations, which is consistent with the Company's past accounting policy for interest and penalties related to tax liabilities. The total amount of such interest recognized in the consolidated statement of operations for fiscal 2013 was $0.1 million. No penalties were recognized during fiscal 2013, and no amount was accrued for penalties on the consolidated balance sheet at June 30, 2013.

The statutes of limitation for the Company's U.S. income tax returns are closed for years through fiscal 2009. The Company's U.S. income tax return for fiscal 2011 is under examination by the Internal Revenue Service. The Internal Revenue Service has not proposed any adjustments to the return as filed to this point in the examination. The statutes of limitation for the Company's state and local income tax returns for prior periods vary by jurisdiction. However, the statutes of limitation with respect to the major jurisdictions in which the Company files state and local tax returns are generally closed for years through fiscal 2008.

On July 9, 2013, Pennsylvania House Bill No. 465 was signed into law by the Governor, which, among other things, changes how revenues from the sale of services are taxed in Pennsylvania effective for tax years beginning after December 31, 2013, which for the Company is fiscal 2015. The Company will record the impact of this law change, which management estimates will result in a deferred tax benefit of approximately $3.2 million, as a discrete item in the first quarter of fiscal 2014.

13. SHARE-BASED COMPENSATION

2012 Omnibus Long-Term Incentive Plan

Effective in September 2012, the Company adopted the Education Management Corporation 2012 Omnibus Long-Term Incentive Plan (the “2012 Omnibus Plan”), which replaced the Education Management Corporation Omnibus Long-Term Incentive Plan (the “2009 Omnibus Plan”) that was adopted in April 2009 and became effective upon the completion of the Initial Public Offering. The 2009 Omnibus Plan and the 2006 Stock Option Plan, which it replaced, are now frozen. The 2012 Omnibus Plan may be used to issue stock options, stock appreciation rights, restricted stock, restricted stock units and other forms of long-term incentive compensation. As of June 30, 2013, approximately 2.5 million shares of Common Stock remain reserved for issuance under the Omnibus Plan. The Company recognized $17.1 million and $13.3 million of share-based compensation expense related to outstanding time-based stock options, restricted stock and other awards during fiscal 2013 and 2012, respectively.

Option Exchange

In August 2012, the Company’s Board of Directors authorized a program (the “Option Exchange”) to allow eligible option holders the opportunity to exchange their existing EDMC stock options for replacement stock options having an exercise price of $3.59 per share, which was the closing price for a share of the Company’s Common Stock on the Nasdaq Global Select Market (“NASDAQ”) on September 13, 2012, the date on which the offer expired. Campus presidents and directors who participated in the Option Exchange received a new stock option grant, based on seniority, which vests in four equal annual installments beginning on the first anniversary of the grant date and expires on the tenth anniversary of the grant date. Campus presidents and directors who elected to not participate in the Option Exchange retained their existing stock options and received a new grant of stock options to purchase a smaller number of shares than they would have received had they participated in the Option Exchange with similar vesting and expiration terms as stock options received by campus presidents and directors who participated in the Option Exchange. The total amount awarded to campus presidents and directors in connection with the Options Exchange consisted of 775,000 stock options. All other employees who participated in the Option Exchange received a fixed number of new stock options, calculated on the basis of a fixed exchange ratio corresponding to the grant date and exercise price of the stock options that they surrendered for exchange. The vesting terms of the new stock option grants remained subject to the original vesting schedule of the corresponding options that were surrendered for exchange, provided that none of the replacement stock options vest before September 13, 2013, except under certain specific circumstances described in the 2012 Omnibus Plan and/or the Stock Option Agreements under which the replacement stock options were granted.

In connection with the Option Exchange, the Company granted approximately 6.3 million time-based and 2.0 million performance-based replacement stock options in return for the cancellation of approximately 8.5 million time-based and 3.0 million performance-based stock options. The Option Exchange was accounted for as a modification of the original awards. Consequently, incremental value to the option holders was calculated using a Black-Scholes-Merton pricing model by taking the value of all time-based stock options on September 13, 2012 using the original option award terms and comparing that to the value of the modified time-based stock options using the new option award terms on September 13, 2012. Because the original awards had exercise prices well in excess of the price of a share of Common Stock on the modification date, the Company used a lattice model to determine the appropriate expected term to use in the Black-Scholes-Merton model. The modification of the original awards resulted in $2.2 million of incremental compensation expense for time-based options, net of expected forfeitures, that will be recognized over the applicable employee service periods, which range from one year to four years.

Below is a summary of the key assumptions used in determining the incremental compensation cost associated with the time-based replacement stock options granted in connection with the Option Exchange:

Replacement options:	
Number of options	6,300,075
Volatility	80-87%
Expected term	2.94-6.25 years
Fair value per option	\$1.87-\$2.53
Cancelled options:	
Number of options	8,525,171
Volatility	78-87%
Expected term	2.25-7.67 years
Fair value per option	\$0.78-\$1.97

Time-Based Stock Options

The Company utilizes the Black-Scholes-Merton method to estimate the fair value of time-based options. The expected term of the Company's options is determined using a simplified method based on the average of the weighted vesting terms and the contractual term of the options. Expected volatility is determined using the historical volatility of a seven-company peer group, all of which have publicly-traded stock. The risk-free interest rate assumption is determined using the yield on a zero-coupon U.S. Treasury strip by extrapolating to a forward-yield curve. The forfeiture rate is generally determined using a historical rate based on actual experience; however, since the Company's grants awarded in fiscal 2013 were primarily to executive employees, a forfeiture rate of 0% was utilized. Finally, as the Company does not currently declare dividends and does not intend to do so in the foreseeable future, a dividend yield of zero is used. Below is a summary of the weighted average assumptions used for time-based options granted during the years ended June 30, which excludes the replacement options granted in connection with the Options Exchange explained above:

	2013	2012
Weighted average fair value of options	$ 2.76	$ 9.29
Expected dividend yield	—%	—%
Expected volatility	78.6%	45.0%
Risk-free interest rate	1.2%	1.5%
Expected forfeiture rate	—%	7.3%
Expected term	7.50 yrs	6.25 yrs
Vesting periods	4.0 yrs	4.0 yrs

A roll forward of time-based option activity during fiscal 2013 is presented below.

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding at June 30, 2012	9,243,619	$ 15.72	6.96 yrs	$ —
Granted in connection with Options Exchange	6,300,075	$ 3.59		
Forfeited in connection with Options Exchange	(8,525,171)	$ 15.82		
Granted – all other	4,332,567	$ 3.77		
Forfeited – all other	(361,221)	$ 9.20		
Exercised	(866)	$ 3.59		
Outstanding at June 30, 2013	10,989,003	$ 4.06	7.48 yrs	$ 17,120
Vested at June 30, 2013 *	374,863	$ 12.98	4.85 yrs	$ —

* Vested options relate only to those not tendered in the Options Exchange in which the Company's stock price is less than the exercise price for all applicable grants as of June 30, 2013. Approximately 5.0 million time-based stock options became exercisable on November 2, 2013.

The Company received approximately $2.7 million from option holders in fiscal 2012 from the exercise of stock options, on which the actual tax benefits realized for tax deductions, including excess tax benefits, was $0.9 million.

Restricted Stock Units

A roll forward of restricted stock units activity during fiscal 2013 is presented below.

	RSUs	Weighted Average Share Price
Outstanding at June 30, 2012	22,088	$ 19.92
Granted	3,213,200	$ 3.46
Vested	(22,088)	$ 19.92
Forfeited	(193,600)	$ 3.31
Outstanding at June 30, 2013	3,019,600	$ 3.47

The weighted average expected forfeiture rate for restricted stock units granted during fiscal 2013 was 11.0%.

Performance-Based Stock Options

Performance-based stock options vest upon the greater of the percentage of the Company's common stock sold by certain investment funds affiliated with Providence Equity Partners and Goldman Sachs Capital Partners (together, the "Principal Stockholders") or on certain return on investment hurdles achieved by the Principal Stockholders. Because the relevant performance conditions were not probable of being met at the time of the Option Exchange, unrecognized compensation expense for performance-based stock options was recalculated on September 13, 2012 based on the stock price in effect at the time of the Options Exchange, to the extent that option holders participated in the exchange.

Below is a summary of the weighted average assumptions used for the Company's existing performance-based options valued on September 13, 2012 in connection with the Options Exchange, all of which were originally granted before fiscal 2010.

Weighted average fair value of options	$ 2.23
Expected dividend yield	—%
Expected volatility	84.2%
Risk-free interest rate	0.55%
Expected term	4.3 years

No performance-based options have been granted since fiscal 2009 except for the replacement options granted in connection with the Options Exchange. A roll forward of performance-based option activity during fiscal 2013 is presented below.

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding at June 30, 2012	3,117,587	$ 12.19	4.48 yrs	$ —
Granted in connection with Options Exchange	1,954,592	$ 3.59		
Forfeited in connection with Options Exchange	(3,044,862)	$ 12.17		
Granted - all other	—			
Forfeited - all other	(46,592)	$ 3.59		
Exercised	—			
Outstanding at June 30, 2013	1,980,725	$ 3.59	3.48	$ 4,021
Exercisable at June 30, 2013	—	—	—	—

Long-Term Incentive Compensation Plan

In fiscal 2007, EDMC adopted the Long-Term Incentive Compensation Plan (the "LTIC Plan"). The LTIC Plan consists of a bonus pool that is valued based on returns to Providence Equity Partners and Goldman Sachs Capital Partners in connection with a change in control of EDMC. Out of a total of 1,000,000 units authorized, approximately 422,000 units were outstanding under the LTIC Plan at June 30, 2013. Each unit represents the right to receive a payment based on the value of the bonus pool. Because the contingent future events that would result in value to the unit-holders are less than probable, no compensation expense has been recognized by the Company during any of the periods following the Transaction. The LTIC Plan is being accounted for as an equity-based plan as the units may be settled in stock or cash at the Company's discretion, and it is the Company's intent to settle any future payment out of the LTIC Plan by issuing common stock.

Unrecognized Compensation Expense

Net of expected forfeitures, the Company's unrecognized compensation expense was as follows at June 30, 2013 for each type of award outstanding (in millions):

Time-based stock options	$ 26.6
Restricted stock units	7.9
Performance-based stock options	4.1
LTIC Plan	1.6
Total unrecognized compensation expense	$ 40.2

Compensation expense on time-based stock options and restricted stock units will be recognized over the remaining vesting period for each applicable grant. Compensation expense on performance-based stock options and the LTIC Plan will be recognized once the performance conditions described above become probable of being met.

14. STOCK REPURCHASE PROGRAM

In June 2010, the Company's Board of Directors approved a stock repurchase program under which it could purchase its common stock in the open market, in privately negotiated transactions, through accelerated repurchase programs or in structured share repurchase programs. From the inception of the stock repurchase program through June 30, 2012, the Company repurchased 18.9 million shares of its common stock for a total cost of $328.6 million. The Company did not make any share repurchases during fiscal 2013 and the program expired on December 31, 2012.

15. OTHER EMPLOYEE BENEFIT PLANS

The Company sponsors a 401(k) plan that covers substantially all employees. In January 2011, the Company changed its policy to match employee contributions to the retirement plan dollar for dollar up to 6%. This change also allows all participants in the plan to vest in the Company's matching contributions immediately. The Company recorded expense related to the retirement plan of approximately $27.1 million and $28.5 million for the fiscal years ended June 30, 2013 and 2012, respectively.

16. COMMITMENTS AND CONTINGENCIES

Qui Tam Matters

Washington v. Education Management Corporation. On May 3, 2011, a *qui tam* action captioned *United States of America, and the States of California, Florida, Illinois, Indiana, Massachusetts, Minnesota, Montana, New Jersey, New Mexico, New York and Tennessee, and the District of Columbia, each ex rel. Lynntoya Washington and Michael T. Mahoney v. Education Management Corporation, et al.* ("Washington") filed under the federal False Claims Act in April 2007 was unsealed due to the U.S. Department of Justice's decision to intervene in the case. Five of the states listed on the case caption joined the case based on *qui tam* actions filed under their respective False Claims Acts. The Court granted the Company's motion to dismiss the District of Columbia from the case and denied the Commonwealth of Kentucky's motion to intervene in the case under its consumer protection laws.

The case, which is pending in federal district court in the Western District of Pennsylvania, relates to whether the Company's compensation plans for admission representatives violated the HEA, and U.S. Department of Education regulations prohibiting an institution participating in Title IV programs from providing any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments to any person or entity engaged in any student recruitment or admissions activity during the period of July 1, 2003 through June 30, 2011. The complaint was initially filed by a former admissions representative at The Art Institute of Pittsburgh Online Division and a former director of training at EDMC Online Higher Education and asserts the relators are entitled to recover treble the amount of actual damages allegedly sustained by the federal government as a result of the alleged activity, plus civil monetary penalties. The complaint does not specify the amount of damages sought but claims that the Company and/or students attending the Company's schools received over $11 billion in funds from participation in Title IV programs and state financial aid programs during the period of alleged wrongdoing.

On May 11, 2012, the Court ruled on the Company's motion to dismiss case for failure to state a claim upon which relief can be granted, dismissing the claims that the design of the Company's compensation plan for admissions representatives violated the incentive compensation rule and allowing common law claims and the allegations that the plan as implemented violated the rule to continue to discovery. The Company believes the case to be without merit and intends to vigorously defend itself.

Sobek v. Education Management Corporation. On March 13, 2012, a *qui tam* action captioned *United States of America, ex rel. Jason Sobek v. Education Management Corporation, et al*. filed under the federal False Claims Act on January 28, 2010 was unsealed after the U.S. Department of Justice declined to intervene in the case. The case, which is pending in the federal district court in the Western District of Pennsylvania, alleges that the defendants violated the U.S. Department of Education's regulation prohibiting institutions from making substantial misrepresentations to prospective students, did not adequately track student academic progress and violated the U.S. Department of Education's prohibition on the payment of incentive compensation to admissions representatives. The complaint was filed by a former project associate director of admissions at EDMC Online Higher Education who worked for South University and asserts the relator is entitled to recover treble the amount of actual damages allegedly sustained by the federal government as a result of the alleged activity, plus civil monetary penalties. The complaint does not specify the amount of damages sought but claims that the Company's institutions were ineligible to participate in Title IV programs during the period of alleged wrongdoing.

In August 2013, the parties to the action, along with the U.S. Department of Justice, participated in a private mediation in which the relator and defendants reached an agreement in principle regarding the financial terms of a potential settlement. The agreement between the parties remains subject to approval by the U.S. Department of Justice. Significant terms remain to be negotiated, and there is no certainty that a final agreement will be reached. The settlement amount agreed to by the parties under the terms of the agreement in principle would be paid by the Company's insurer and the Company would pay an immaterial amount of attorneys' fees incurred by the relator. The ultimate dismissal of the action, should a final settlement be reached, is subject to the Court's approval.

Shareholder Derivative Lawsuits

On May 21, 2012, a shareholder derivative class action captioned *Oklahoma Law Enforcement Retirement System v. Todd S. Nelson, et al.* was filed against the directors of the Company in state court located in Pittsburgh, PA. The Company is named as a nominal defendant in the case. The complaint alleges that the defendants violated their fiduciary obligations to the Company's shareholders due to the Company's violation of the U.S. Department of Education's prohibition on paying incentive compensation to admissions representatives, engaging in improper recruiting tactics in violation of Title IV of the HEA and accrediting agency standards, falsification of job placement data for graduates of its schools and failure to satisfy the U.S. Department of Education's financial responsibility standards. The Company previously received two demand letters from the plaintiff which were investigated by a Special Litigation Committee of the Board of Directors and found to be without merit.

The Company and the director defendants filed a motion to dismiss the case with prejudice on August 13, 2012. In response, the plaintiffs filed an amended complaint making substantially the same allegations as the initial complaint on September 27, 2012. The Company and the director defendants filed a motion to dismiss the amended complaint on October 17, 2012. On July 16, 2013, the Court dismissed the claims that the Company engaged in improper recruiting tactics and mismanaged the Company's financial well-being with prejudice and found that the Special Litigation Committee could conduct a supplemental investigation of the plaintiff's claims related to incentive compensation paid to admissions representatives and graduate placement statistics. The Special Litigation Committee filed a supplemental report on October 15, 2013, finding no support for the incentive compensation and graduate placement statistic claims. The Court set argument on the defendants' supplemental motion to dismiss the case for January 2014.

On August 3, 2012, a shareholder derivative class action captioned *Stephen Bushansky v. Todd S. Nelson, et al.* was filed against certain of the directors of the Company in federal district court in the Western District of Pennsylvania. The Company is named as a nominal defendant in the case. The complaint alleges that the defendants violated their fiduciary obligations to the Company's shareholders due to the Company's use of improper recruiting, enrollment admission and financial aid practices and violation of the U.S. Department of Education's prohibition on the payment of incentive compensation to admissions representatives. The Company previously received a demand letter from the plaintiff which was investigated by a Special Litigation Committee of the Board of Directors and found to be without merit. The Company believes that the claims set forth in the complaint are without merit and intends to vigorously defend itself. The Company and the named director defendants filed a motion to stay the litigation pending the resolution of the *Oklahoma Law Enforcement Retirement System* shareholder derivative case or, alternatively, dismiss the case on October 19, 2012. On August 5, 2013, the Court granted the Company's motion to stay the case in light of the ruling on the defendants' motion to dismiss the *Oklahoma Law Enforcement Retirement System* case.

OIG Subpoena

On May 24, 2013, the Company received a subpoena from the Office of Inspector General of the U.S. Department of Education requesting policies and procedures related to Argosy University's attendance, withdrawal and return to Title IV policies during the period of July 1, 2010 through December 31, 2011 and detailed information on a number of students who enrolled in Argosy University's Bachelor's of Psychology degree program. The Company plans to cooperate with the Office of Inspector General in connection with its investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

State Attorney General Investigations

In January 2013, The New England Institute of Art received a civil investigative demand from the Commonwealth of Massachusetts Attorney General requesting information for the period from January 1, 2010 to the present pursuant to an investigation of practices by the school in connection with marketing and advertising job placement and student outcomes, the recruitment of students and the financing of education. The Company previously responded to a similar request that The New England Institute of Art received in June 2007 and intends to cooperate with the Attorney General in connection with its investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In September 2012, the Company received a subpoena from the State of Colorado Attorney General's office requesting documents and detailed information for the period of January 1, 2006 through the present. The subpoena is primarily focused on the programs offered by the College of Psychology and Behavioral Sciences at the Denver, Colorado campus of Argosy University. Argosy University also received in September 2012 demand letters from an attorney representing three former students in the Doctorate of Counseling Psychology program alleging that the students were unable to find internships necessary to complete the program in Denver, Colorado and that the campus claimed that the program would lead to licensure in Colorado, among other things. On December 5, 2013, the Company entered into a Final Consent Judgment (the "Consent Judgment") with the Colorado Attorney General's Office for the purpose of resolving disputed claims, avoiding the expense of further litigation, and permitting the Company to focus on its education mission with regard to its students. Under the Consent Judgment, without admitting liability, the Company has agreed to pay the aggregate amount of approximately $3.4 million, consisting of $2.9 million to be distributed as restitution to eligible students and $0.5 million to the Colorado Department of Law to be used by the State of Colorado for consumer restitution and as reimbursement to the state for reasonable costs and attorney's fees and for future consumer education, consumer fraud and antitrust enforcement efforts. The Company further agreed to a suspended civil penalty of $1.0 million, which becomes due and payable if the Company commits a knowing and willful material violation of the Consent Judgment within three years of the date of the Consent Judgment.

As part of the Consent Judgment, with respect to Argosy University's conduct in Colorado and activities which affect Colorado residents, the Company agreed to, among other things: an injunction regarding advertising and enrolling students into Argosy University Denver's Doctorate of Education in Counseling Psychology if it is offered as a psychology licensure-track degree program; restrictions on program advertising and statements regarding licensing and employment prospects until certain conditions have been satisfied; provide written disclosures about programmatic accreditation, professional licensure, and employer hiring requirements relevant to particular degree programs; discontinue enrollment of new students in programs for which programmatic accreditations have been denied and are not subject to further appeal; certain actions regarding determination as to accreditation and licensing requirements, including training and hiring employees with specific knowledge of local training, licensure and accreditation requirements; hire an independent auditor to conduct an audit of programmatic compliance; and conduct periodic training and program reviews. The Consent Judgment is pending court approval.

In August 2011, the Company received a subpoena from the Attorney General of the State of New York requesting documents and detailed information for the time period of January 1, 2000 through the present. The Art Institute of New York City is the Company's only school located in New York though the subpoena also addresses fully-online students who reside in the State. The subpoena is primarily related to the Company's compensation of admissions representatives and recruiting activities. The relators in the Washington *qui tam* case filed the complaint under the State of New York's False Claims Act though the state has not announced an intention to intervene in the matter. The Company intends to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In December 2010, the Company received a subpoena from the Office of Consumer Protection of the Attorney General of the Commonwealth of Kentucky requesting documents and detailed information for the time period of January 1, 2008 through December 31, 2010. The Company has three Brown Mackie College locations in Kentucky. The Kentucky Attorney General announced an investigation of the business practices of proprietary post-secondary schools and that subpoenas were issued to six proprietary colleges that do business in Kentucky in connection with the investigation. The Company intends to continue to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

In October 2010, Argosy University received a subpoena from the Florida Attorney General's office seeking a wide range of documents related to the Company's institutions, including the nine institutions located in Florida, from January 2, 2006 to the present. The Florida Attorney General has announced that it is investigating potential misrepresentations in recruitment, financial aid and other areas. The Company is cooperating with the investigation, but has also filed a suit to quash or limit the subpoena and to protect information sought that constitutes proprietary or trade secret information. The Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

City of San Francisco

In December 2011, the Company received a letter from the City Attorney of the City of San Francisco, California requesting information related to student recruitment and indebtedness, including recruiting practices and job placement reporting, among other issues, by The Art Institute of San Francisco and the seven other Art Institutes located in California. The Company intends to cooperate with the investigation. However, the Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

Securities and Exchange Commission Subpoenas

On March 20, 2013, the Company received a subpoena from the Division of Enforcement of the Securities and Exchange Commission requesting documents and information relating to the Company's valuation of goodwill and its bad debt allowance for student receivables. The Company received a second subpoena from the Division of Enforcement on May 13, 2013 which requests documents and information related to the letters of credit posted with the U.S. Department of Education. The Company intends to cooperate with the SEC in its investigation. The Company cannot predict the eventual scope, duration or outcome of the investigation at this time.

Other Matters

The Company is a defendant in certain other legal proceedings arising out of the conduct of its business. Additionally, the Company is subject to compliance reviews by various state and federal agencies which provide student financial aid programs, with respect to which noncompliance may result in liability for educational benefits paid as well as fines and other corrective action. In the opinion of management, based upon an investigation of these matters and discussion with legal counsel, the ultimate outcome of such other legal proceedings and compliance reviews, individually and in the aggregate, is not expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Lease Commitments

The Company leases certain classroom, dormitory and office space as well as equipment and automobiles under operating leases that expire on various future dates. Rent expense under these leases was $202.3 million and $191.8 million for the fiscal years ended June 30, 2013 and 2012, respectively. Rent expense also includes short-term commitments for student housing of $47.9 million and $51.4 million during the fiscal years ended June 30, 2013 and 2012, respectively. Certain of the Company's operating leases contain provisions for escalating payments and options for renewal.

As of June 30, 2013, the annual minimum future commitments under non-cancelable, long-term operating leases were as follows for the fiscal years ending June 30, 2014 to 2018 and thereafter (in thousands):

2014	$ 182,198
2015	150,898
2016	127,928
2017	124,392
2018	108,531
Thereafter	329,512

Other Commitments

At June 30, 2013, the Company has provided $21.0 million of surety bonds primarily to state regulatory agencies through four different surety providers. The Company believes that these surety bonds will expire without being funded; therefore, the commitments are not expected to materially affect the Company's financial condition or cash flows.

17. RELATED-PARTY TRANSACTIONS

In connection with the March 2013 refinancing described in Note 9, "Short-Term and Long-Term Debt," the Company paid $2.9 million to affiliates of one of the Sponsors. In connection with the March 2012 refinancing described in Note 9, the Company paid $0.7 million to an affiliate of one of the Sponsors. The Company also entered into an interest rate swap agreement in fiscal 2011 in the amount of $312.5 million with an affiliate of Goldman Sachs Capital Partners, the terms of which are discussed in Note 10, "Derivative Instruments."

South University LLC, a wholly-owned subsidiary of the Company, leased facilities under a long-term arrangement from two separate entities owned by John T. South, one of the Company's executive officers. Total rental payments under these arrangements approximated $0.5 million and $2.1 million in fiscal 2013 and 2012, respectively. The facilities were sold to an unrelated third party in September 2012. Mr. South paid the Company $0.8 million in connection with the closing of the sale of the properties due to the Company's renegotiation of the leases prior to the sale.

The Company licenses student information system software from Campus Management Corp ("CMC"), which since February 2008 has been owned by Leeds Equity Partners, one of the Sponsors. The Company paid licensing, maintenance and consulting fees to CMC of approximately $3.2 million and $2.1 million in the fiscal years ended June 30, 2013 and 2012, respectively. The Company also uses PeopleScout, Inc., d/b/a StudentScout, which is owned by investment funds associated with Leeds Equity Partners, for contact management services when processing some of its inquiries from prospective students. During fiscal 2013 and 2012, the Company paid servicing fees to StudentScout of approximately $1.8 million and $3.0 million, respectively. The Company also utilizes Ex Libris, which is owned by the Leeds Equity Partners, for information technology maintenance. The Company paid Ex Libris $0.3 million in each of the fiscal years 2013 and 2012.

The Company also does business with several companies affiliated with Providence Equity Partners, one of the Sponsors. The Company purchases personal computers and related equipment from CDW Corporation and its affiliates, the largest of which is CDW Government, Inc. (collectively, "CDW"). During fiscal 2013 and 2012, the Company purchased approximately $0.7 million and $0.3 million, respectively, of equipment from CDW. The Company also uses Assessment Technologies Institute, LLC for computer software that tests the skills of the Company's students in various academic fields. During fiscal 2013 and 2012, the Company paid Assessment Technologies Institute, LLC approximately $0.7 million and $0.5 million, respectively. The Company has also engaged Kroll Ontrack for litigation management and electronic discovery document retention. Total fees paid to Kroll Ontrack related to such services approximated $0.5 million and $0.4 million in fiscal 2013 and 2012, respectively.

The Company utilizes United States Security Associates ("USSA") for security services for several of its schools. Fees paid to USSA were approximately $1.4 million and $2.7 million during fiscal 2013 and 2012, respectively.

18. SEGMENT REPORTING

The Company's principal business is providing post-secondary education. The Company manages its operations through four operating segments, which through March 31, 2012 were aggregated into one reportable segment, as all criteria for aggregation under applicable accounting rules were met. As of June 30, 2012, the Company began to report results for each of its four operating segments because the Company could no longer demonstrate margin convergence with respect to its operating segments with relative certainty over a reasonable period of time. The Company's four reportable segments are The Art Institutes, Argosy University, Brown Mackie Colleges and South University. A summary of each reportable segment is detailed below.

- *The Art Institutes.* The Art Institutes focus on applied arts in creative professions such as graphic design, culinary arts, media arts and animation, interior design, web site development, digital filmmaking and video production, fashion design and marketing and game art and design. The Art Institutes offer Associate's, Bachelor's and Master's degree programs, as well as selective non-degree diploma programs. Students pursue their degrees through local campuses, fully-online programs through The Art Institute of Pittsburgh, Online Division and blended formats, which combine campus-based and online education. As of June 30, 2013, there were 51 Art Institutes campuses in 25 U.S. states and in Canada included in this reportable segment. As of October 2012, students enrolled at The Art Institutes represented approximately 54% of our total enrollments.
- *Argosy University.* Argosy University offers academic programs in psychology and behavioral sciences, business, education and health sciences disciplines. Argosy University offers Doctoral, Master's and undergraduate degrees through local campuses, fully-online programs and blended formats. Argosy University's academic programs focus on graduate students seeking advanced credentials as a prerequisite to initial licensing, career advancement and/or structured pay increases. As of June 30, 2013, there were 20 Argosy University schools in 13 U.S. states included in this reportable segment. As of October 2012, students enrolled at Argosy University represented approximately 19% of our total enrollments. This segment includes Western State College of Law, which offers Juris Doctor degrees, and the Ventura Group, which provides courses and materials for post-graduate licensure examinations in the human services fields and continuing education courses for K-12 educators.

- *Brown Mackie Colleges.* Brown Mackie Colleges offer flexible Associate's and non-degree diploma programs that enable students to develop skills for entry-level positions in high demand vocational specialties and Bachelor's degree programs that assist students to advance within the workplace. Brown Mackie Colleges offer programs in growing fields such as medical assisting, criminal justice, nursing, business, legal support and information technology. As of June 30, 2013, there were 28 Brown Mackie College campuses in 15 U.S. states included in this reportable segment. As of October 2012, students enrolled at Brown Mackie Colleges represented approximately 13% of our total enrollments.
- *South University.* South University offers academic programs in health sciences and business disciplines, including business administration, criminal justice, nursing, information technology, psychology, pharmacy and medical assisting. South University offers Doctoral, Master's, Bachelor's and Associate's degrees through local campuses, fully-online programs and blended formats. As of June 30, 2013, there were 11 South University campuses in nine U.S. states included in this reportable segment. As of October 2012, students enrolled at South University represented approximately 14% of our total enrollments.

EBITDA excluding certain expenses, the measure used by the chief operating decision-maker to evaluate segment performance and allocate resources, is defined as net income (loss) before interest expense, income tax expense (benefit), depreciation and amortization and certain other expenses presented below. EBITDA excluding certain expenses is not a recognized term under GAAP and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, EBITDA excluding certain expenses is not intended to be a measure of free cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Management believes EBITDA excluding certain expenses is helpful in highlighting trends because EBITDA excluding certain expenses excludes the results of decisions that are outside the control of operating management and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, this presentation of EBITDA excluding certain expenses may not be comparable to similarly titled measures of other companies. Adjustments to reconcile segment results to consolidated results are included under the caption "Corporate and other," which primarily includes unallocated corporate activity. A reconciliation of EBITDA excluding certain expenses by reportable segment to consolidated loss before income taxes along with other summary financial information by reportable segment is presented below (in thousands):

	For the Fiscal Year Ended June 30, 2013	2012
Net revenues:		
The Art Institutes	$ 1,543,385	$ 1,738,542
Argosy University	356,544	397,458
Brown Mackie Colleges	298,175	314,801
South University	300,495	310,166
Total EDMC	$ 2,498,599	$ 2,760,967
EBITDA excluding certain expenses:		
The Art Institutes	$ 343,903	$ 478,693
Argosy University	41,062	57,535
Brown Mackie Colleges	36,407	62,073
South University	44,560	5,878
Corporate and other	(89,653)	(94,298)
Total EDMC	376,279	509,881
Reconciliation to consolidated loss before income taxes:		
Long-lived asset impairments	323,690	1,746,765
Loss on debt refinancing	5,232	9,474
Restructuring and other	13,920	14,133
Loss on sale of loans	—	—
Depreciation and amortization	164,712	158,663
Net interest expense	124,663	110,330
EDMC consolidated loss before income taxes	$ (255,938)	$ (1,529,484)

	For the Fiscal Year Ended June 30, 2013	For the Fiscal Year Ended June 30, 2012
Expenditures for long-lived assets:		
The Art Institutes	$ 39,778	$ 42,970
Argosy University	6,719	6,573
Brown Mackie Colleges	9,049	11,906
South University	7,648	9,056
Corporate and other	20,047	23,041
Total EDMC	$ 83,241	$ 93,546

Assets: *	As of June 30, 2013	As of June 30, 2012
The Art Institutes	$ 1,438,028	$ 1,824,385
Argosy University	257,608	308,286
Brown Mackie Colleges	231,225	268,694
South University	226,041	272,729
Corporate and other	162,391	165,001
Total EDMC	$ 2,315,293	$ 2,839,095

* Excludes inter-company activity.

19. SUBSEQUENT EVENTS

In October 2013, the Company implemented a restructuring plan, which impacted The Art Institutes segment and its corporate offices, designed to further align costs with student enrollment levels. As a result, the Company expects to recognize up to $10 million of expense in the fiscal year ending June 30, 2014. However, it is possible that the Company will incur additional restructuring expenses in excess of this estimate.

Supplemental Information

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Shareholders and Board of Directors
Education Management Corporation and Subsidiaries

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Education Management Corporation and Subsidiaries which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, cash flows, and shareholders' equity for the years then ended, and the related notes to the consolidated financial statements. We have issued our report thereon dated December 16, 2013 and expressed an unqualified opinion thereon. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Education Management Corporation and Subsidiaries' internal control over financial reporting as of June 30, 2013, based on criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework), and our report dated December 16, 2013 expressed an unqualified opinion thereon.

Internal Control Over Financial Reporting

A *deficiency in internal control* over financial reporting (internal control) exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's annual or interim financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

In planning and performing our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Education Management Corporation and Subsidiaries' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

December 16, 2013

Education Management Corporation and Subsidiaries

Supplemental Schedule of Related-Party Transactions

June 30, 2013

Education Management Corporation (collectively with its subsidiaries, the "Company") was acquired in 2006 by a consortium of private equity investment funds led by Providence Equity Partners (together with its affiliated investment funds, "Providence"), Goldman Sachs Capital Partners (together with its affiliated investment funds, "Goldman") and Leeds Equity Partners (together with its affiliated investment funds, "Leeds" and, together with Providence and Goldman, the "Sponsors"). As of June 30, 2013, Providence, Goldman and Leeds owned approximately 33%, 43% and 8% of the Company's outstanding common stock, respectively. In addition, certain members of the Company's Board of Directors are affiliated with the Sponsors and, in some cases, serve on the Company's Board as nominees of the Sponsors. Specifically, Paul J. Salem is a Senior Managing Director and Peter O. Wilde is a Managing Director of Providence, and both Mr. Salem and Mr. Wilde were nominated to the Board by Providence. Adrian Jones is a Managing Director of Goldman, Sachs & Co. and was nominated to the Board by Goldman. Jeffrey T. Leeds is President of Leeds and serves on the Board as Leeds' nominee. Additionally, Leo F. Mullin and Joseph R. Wright (Mr. Wright served on the Board during a portion of the Company's 2013 fiscal year but did not stand for re-election in November 2012) serve as advisors to Goldman and Providence, respectively.

During its fiscal years ended June 30, 2013 and 2012, the Company engaged in the related-party transactions described below, which involved one or more of the Sponsors or other entities in which the Sponsors have invested.

- The Company licenses student information system software from Campus Management Corp. ("CMC"), which since February 2008 has been owned by Leeds. The Company paid licensing, maintenance and consulting fees to CMC of approximately $3.2 million and $2.1 million in the fiscal years ended June 30, 2013 and 2012, respectively.
- The Company uses PeopleScout, Inc., d/b/a StudentScout, for contact management services when processing some of its inquiries from prospective students. StudentScout is owned by investment funds associated with Leeds. During fiscal 2013 and 2012, the Company paid servicing fees to StudentScout of approximately $1.8 million and $3.0 million, respectively.
- The Company uses Ex Libris Group, which is owned by Leeds, for IT maintenance services. The Company paid Ex Libris approximately $0.3 million in each of the fiscal years ended June 30, 2013 and 2012.
- The Company purchases personal computers and related equipments from CDW Corporation, which is owned by Providence, and its affiliates ("CDW"). During fiscal 2013 and 2012, the Company paid approximately $0.7 million and $0.3 million, respectively, in equipment from CDW.
- The Company paid Assessment Technologies Institute, LLC, which is affiliated with Providence, approximately $0.7 million and $0.5 million in fiscal 2013 and 2012, respectively, for skills testing software.
- The Company purchased products from Jones & Bartlett Learning, which is affiliated with Providence, for approximately $0.1 million in each of the fiscal years ended June 30, 2013 and 2012.
- The Company has engaged Kroll Ontrack for litigation management and electronic discovery document retention services for which it paid approximately $0.5 million and $0.4 million in fiscal 2013 and 2012, respectively. Kroll is affiliated with Providence.
- The Company paid approximately $1.4 million and $2.7 million during fiscal 2013 and 2012, respectively, for security services at several of its schools from United States Securities Associates, which is owned in part by Goldman.
- In connection with a debt refinancing in March 2013, the Company paid $2.9 million to affiliates of one of the Sponsors. In connection with a debt refinancing in March 2012, the Company paid $0.7 million to an affiliate of one of the Sponsors. The Company also entered into an interest rate swap agreement in fiscal 2011 in the amount of $312.5 million with an affiliate of Goldman Sachs Capital Partners.

In addition to the foregoing transactions relating to the Sponsors, the Company's subsidiary South University leased facilities under a long-term arrangement with two separate entities owned by John South, who is the Chancellor of South University, for total rent payments approximating $0.5 million and $2.1 million in fiscal 2013 and 2012, respectively. The facilities were sold to an unrelated third party in September 2012. Mr. South paid the Company $0.8 million in connection with the closing of the sale of the properties due to the Company's renegotiation of the leases prior to the sale. South University also employed on a part-time basis a family member of Todd S. Nelson, who was the Chairman of the Company's Board of Directors through November 8, 2013, for which South University paid approximately $20,000 during each of the fiscal years ended June 30, 2013 and 2012.

Finally, the Company is party to employment agreements with certain of its executive officers and senior managers. The agreements, which were designed to retain executives and provide continuity of management in the event of an actual or threatened changes in control, address a number of compensation issues, including salary, bonus potential, benefit eligibility, and severance and other payments to which the executive may be entitled in the event of his or her separation from the Company, and generally include non-competition, non-solicitation and confidentiality provisions that are customary to agreements of this type.

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2013
(in thousands)

	The Art Institute of Pittsburgh **(a)** OPEID# 007470	The Art Institute of Philadelphia **(a)** OPEID# 008350	The Art Institute of Colorado OPEID# 020789	The Art Institute of Phoenix	The Art Institutes International Kansas City	The Art Institute of Wisconsin	The Art Institute of Las Vegas	The Art Institute of Salt Lake City	The Art Institute of Indianapolis	The Art Institute of Tucson TDC	The Art Institute of St. Louis	The Art Institute of Vancouver	Brown Mackie College - Dallas/Ft Worth	Brown Mackie College - Cincinnati
Assets														
Current assets:														
Cash:														
Cash and cash equivalents	$ 267	$ 40	$ 1,901	$ 80	$ 1,175	$ 253	$ 485	$ 6	$ 27	$ 1,210	$ 3,001	$ 4,934	$ 3,232	$ 4
Restricted cash (a)	11,446	744	1,067	53	532	4,022	43	524	919	258	5	-	-	12,332
Total cash, cash equivalents and restricted cash	11,713	784	2,968	133	1,707	4,275	528	530	946	1,468	3,006	4,934	3,232	12,336
Receivables:														
Trade	39,213	9,108	3,899	4,721	2,021	1,794	3,501	2,729	2,780	801	843	700	257	2,408
Allowance for doubtful accounts	(14,925)	(5,285)	(2,416)	(2,181)	(1,338)	(888)	(2,184)	(1,440)	(1,445)	(365)	(421)	(492)	(77)	(1,520)
Notes, advances, and other receivables	4,476	105	242	6,376	3	(21)	4	4	9	(3)	4	(2)	-	2
Inventories	147	61	89	97	39	48	66	46	37	65	52	114	12	26
Deferred income taxes	5,433	1,893	1,196	906	533	366	781	540	522	182	178	-	43	582
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	184	10	29	7	-	81	-	4	-	6	-	60	-	-
Total current assets	46,241	6,676	6,007	10,059	2,965	5,655	2,696	2,413	2,849	2,154	3,662	5,314	3,467	13,834
Property and equipment, net	17,877	5,742	3,703	2,062	3,804	6,980	3,725	2,328	3,101	3,547	5,286	9,475	2,948	2,550
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	4,456	845	853	-	-	606	412	290	-	413	2,833	-	5,791
Other long-term assets	1,084	905	802	828	217	106	752	219	486	145	81	94	3	14
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	5,259
Intangible assets, net of amortization	1,730	-	-	-	-	-	55	-	-	57	-	1,153	-	-
Goodwill	371	-	-	-	-	-	2,006	-	-	1,798	-	24,759	-	-
Total assets	$ 67,303	$ 17,779	$ 11,357	$ 13,802	$ 6,986	$ 12,741	$ 9,840	$ 5,372	$ 6,726	$ 7,701	$ 9,442	$ 43,628	$ 6,418	$ 27,448
Liabilities and shareholders' equity														
Current liabilities:														
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	176	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	2,110	(78)	105	22	(11)	18	59	43	32	42	46	88	16	16
Accrued liabilities	8,799	292	677	279	143	175	314	121	238	128	81	893	87	322
Advance payments	3,155	2,016	1,938	600	395	89	701	244	213	237	57	3,359	32	117
Unearned tuition	20,633	-	-	-	-	-	-	-	-	-	-	-	272	1,140
Total current liabilities	34,697	2,406	2,720	901	527	282	1,074	408	483	407	184	4,340	407	1,595
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	1,233	-	-	-	63	865	-	-	-	379	-	-	302	8
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	-	889	3,201	807	686	2,399	577	1,217	1,089	1,322	2,214	4,264	1,059	1,746
Shareholders' equity:														
Common stock, at par	-	-	70	-	-	-	1	-	-	100	-	-	-	-
Additional paid-in capital	-	-	(13)	1,000	-	-	11,948	-	-	2,083	-	12,575	-	50,874
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	254,714	118,116	101,594	43,722	(1,643)	(2,502)	25,061	501	15,749	(1,528)	(2,275)	6,110	(4,503)	7,544
Payable to (receivable from) EDMC	(223,341)	(103,694)	(96,215)	(32,628)	7,353	11,697	(28,821)	3,246	(10,595)	4,938	9,319	15,143	9,153	(34,319)
Accumulated other comprehensive (loss) income	-	62	-	-	-	-	-	-	-	-	-	1,196	-	-
Total shareholders' equity	31,373	14,484	5,436	12,094	5,710	9,195	8,189	3,747	5,154	5,593	7,044	35,024	4,650	24,099
Total liabilities and shareholders' equity	$ 67,303	$ 17,779	$ 11,357	$ 13,802	$ 6,986	$ 12,741	$ 9,840	$ 5,372	$ 6,726	$ 7,701	$ 9,442	$ 43,628	$ 6,418	$ 27,448

(a) Restricted cash includes endowments of $0.5 million required by Pennsylvania state law at each of the Company's Art Institute of Pittsburgh, Art Institute of Philadelphia and Art Institute of York Institutions.

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2013
(in thousands)

	Brown Mackie College - Akron	Brown Mackie College - Northern Kentucky	Brown Mackie College - Miami	Brown Mackie College - Merrillville	Brown Mackie College - Quad Cities	Brown Mackie College - Michigan City	Brown Mackie College - Findlay	Brown Mackie College - Indianapolis	Brown Mackie College - Louisville	Brown Mackie College - Hopkinsville	Brown Mackie College - South Bend	Brown Mackie College - Ft Wayne	Brown Mackie College - Boise	Brown Mackie College - Tulsa
Assets														
Current assets:														
Cash:														
Cash and cash equivalents	$ 2,420	$ 1,149	$ 16	$ 11	$ 653	$ 3,002	$ 213	$ 3,606	$ 1,769	$ 1,254	$ (1)	$ 1,043	$ 8	$ 8
Restricted cash (a)	500	758	2,036	6,224	1,200	100	720	387	265	100	10,281	400	4,250	3,500
Total cash, cash equivalents and restricted cash	2,920	1,907	2,052	6,235	1,853	3,102	933	3,993	2,034	1,354	10,280	1,443	4,258	3,508
Receivables:														
Trade	1,982	989	3,326	959	746	428	1,520	3,270	2,833	627	1,113	1,120	587	992
Allowance for doubtful accounts	(1,172)	(522)	(889)	(442)	(389)	(231)	(944)	(1,796)	(1,588)	(315)	(541)	(658)	(280)	(397)
Notes, advances, and other receivables	23	2	9	(2)	(9)	5	5	7	(22)	3	(6)	11	13	3
Inventories	29	19	20	23	14	12	19	20	35	5	14	25	10	41
Deferred income taxes	449	211	378	160	149	96	355	646	635	134	203	245	126	170
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	2	90	(4)	-	3	-	-	-	-	-	92	-	-
Total current assets	4,231	2,608	4,986	6,929	2,364	3,415	1,888	6,140	3,927	1,808	11,063	2,278	4,714	4,317
Property and equipment, net	1,999	1,568	6,130	812	2,392	3,285	2,139	5,108	4,501	1,028	2,663	2,512	3,586	3,121
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	17	-	-	2,632	-	-	1,393	-	-	-	3,250	244	168	-
Other long-term assets	43	14	130	8	6	1	23	36	23	4	4	3	4	12
Investment in affiliate	-	-	-	-	-	-	2,630	-	-	-	2,630	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 6,290	$ 4,190	$ 11,246	$ 10,381	$ 4,762	$ 6,701	$ 8,073	$ 11,284	$ 8,451	$ 2,840	$ 19,610	$ 5,037	$ 8,472	$ 7,451
Liabilities and shareholders' equity														
Current liabilities:														
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	(5)	19	71	21	3	13	6	(18)	55	2	6	(8)	56	21
Accrued liabilities	272	210	313	104	81	107	203	199	260	77	187	186	97	103
Advance payments	115	68	105	92	19	(21)	38	104	172	26	55	101	35	153
Unearned tuition	897	491	1,269	620	387	320	497	952	1,519	299	418	762	372	715
Total current liabilities	1,279	788	1,758	837	490	419	744	1,237	2,006	404	666	1,041	560	992
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	97	126	-	770	316	-	244	103	206	-	-	-	38
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	780	102	1,809	190	189	1,634	10	2,853	1,683	343	2,363	152	1,618	498
Shareholders' equity:														
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	25,595	-	-	19,413	-	3,873	-	30,182	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	16,356	9,062	5,416	(2,040)	(80)	5,349	12,156	9,157	20,285	1,948	2,093	31,405	398	(1,364)
Payable to (receivable from) EDMC	(12,125)	(5,859)	2,137	(14,201)	3,393	(1,017)	(24,250)	(2,207)	(19,499)	(61)	(15,694)	(27,561)	5,896	7,287
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	4,231	3,203	7,553	9,354	3,313	4,332	7,319	6,950	4,659	1,887	16,581	3,844	6,294	5,923
Total liabilities and shareholders' equity	$ 6,290	$ 4,190	$ 11,246	$ 10,381	$ 4,762	$ 6,701	$ 8,073	$ 11,284	$ 8,451	$ 2,840	$ 19,610	$ 5,037	$ 8,472	$ 7,451

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2013
(in thousands)

	Brown Mackie College - San Antonio	Brown Mackie College - Birmingham	Brown Mackie College - Tucson (Chaparral)	Brown Mackie College - Phoenix	Brown Mackie College - North Canton	Brown Mackie College - Greenville	Brown Mackie College - St. Louis	Brown Mackie College - Atlanta	Brown Mackie College - Albuquerque	Eliminations	The Art Institute of Phoenix Combined OPEID# 040513	The Art Institute of York - Pennsylvania **(a)** OPEID# 025578	The Art Institute of Ft Lauderdale OPEID# 010195	The Art Institute of Houston
Assets														
Current assets:														
Cash:														
Cash and cash equivalents	$ (8)	$ (10)	$ (31)	$ 810	$ 1,643	$ 13	$ 164	$ (30)	$ 156	$ -	$ 32,265	$ 1,366	$ 5,531	$ 2,370
Restricted cash (a)	4,000	3,000	4,425	2,200	2,308	3,000	3,000	2,273	3,000	-	76,615	1,699	166	640
Total cash, cash equivalents and restricted cash	3,992	2,990	4,394	3,010	3,951	3,013	3,164	2,243	3,156	-	108,880	3,065	5,697	3,010
Receivables:														
Trade	1,639	1,933	1,498	993	1,318	1,367	946	2,526	1,479	-	56,746	1,570	3,424	6,000
Allowance for doubtful accounts	(608)	(959)	(629)	(397)	(837)	(655)	(413)	(1,259)	(501)	-	(28,773)	(721)	(1,728)	(3,402)
Notes, advances, and other receivables	15	5	2	53	21	7	1	14	2	-	6,538	(192)	106	248
Inventories	(7)	32	(7)	35	26	9	43	38	21	-	1,078	86	131	177
Deferred income taxes	231	390	279	185	312	268	175	551	239	-	11,220	274	820	1,366
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	-	13	-	-	12	-	14	-	-	380	-	-	20
Total current assets	5,262	4,391	5,550	3,879	4,791	4,021	3,916	4,127	4,396	-	156,069	4,082	8,450	7,419
Property and equipment, net	2,836	4,234	1,683	2,656	2,664	3,665	3,066	3,330	3,578	-	114,362	1,057	3,406	11,529
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	299	1,548	229	454	-	110	-	-	-	21,542	-	937	-
Other long-term assets	15	16	71	9	16	14	7	11	11	-	3,426	154	790	1,526
Investment in affiliate	-	-	-	-	-	-	-	-	-	(10,519)	-	-	-	-
Intangible assets, net of amortization	-	-	122	-	-	-	-	-	-	-	1,388	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	28,563	8,240	-	-
Total assets	$ 8,113	$ 8,940	$ 8,974	$ 6,773	$ 7,925	$ 7,700	$ 7,099	$ 7,468	$ 7,985	$ (10,519)	$ 325,350	$ 13,533	$ 13,583	$ 20,474
Liabilities and shareholders' equity														
Current liabilities:														
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	53	39	36	34	(4)	26	28	29	25	-	879	42	267	103
Accrued liabilities	164	192	193	96	209	149	136	425	236	-	6,980	216	891	551
Advance payments	74	49	95	57	48	72	189	53	112	-	7,855	146	1,355	1,512
Unearned tuition	881	920	678	733	596	877	667	1,152	876	-	18,310	-	-	-
Total current liabilities	1,172	1,200	1,002	920	849	1,124	1,020	1,659	1,249	-	34,024	404	2,513	2,166
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	355	-	-	-	-	179	-	58	152	-	4,261	2,135	-	1,379
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	1,295	2,135	53	1,596	1,923	1,686	1,606	1,555	2,040	-	45,493	55	464	5,655
Shareholders' equity:											-			
Common stock, at par	-	-	10	-	-	-	-	-	-	-	111	-	-	1
Additional paid-in capital	-	-	7,628	-	8,112	-	-	4,134	-	-	177,417	12,772	1	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	(1,973)	(1,021)	(3,156)	(2,387)	20,646	1,273	(2,504)	3,018	(791)	(10,519)	198,963	7,236	120,734	73,957
Payable to (receivable from) EDMC	7,264	6,626	3,437	6,644	(23,605)	3,438	6,977	(2,956)	5,335	-	(136,115)	(9,069)	(110,129)	(62,684)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	1,196	-	-	-
Total shareholders' equity	5,291	5,605	7,919	4,257	5,153	4,711	4,473	4,196	4,544	(10,519)	241,572	10,939	10,606	11,274
Total liabilities and shareholders' equity	$ 8,113	$ 8,940	$ 8,974	$ 6,773	$ 7,925	$ 7,700	$ 7,099	$ 7,468	$ 7,985	$ (10,519)	$ 325,350	$ 13,533	$ 13,583	$ 20,474

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2013
(in thousands)

	The Art Institute of Austin	The Art Institute of Houston North	The Art Institute of San Antonio	Reclassifications	The Art Institute of Houston Combined OPEID# 021171	The Art Institutes International Minnesota OPEID# 010248	The New England Institute of Art OPEID# 007486	The Art Institute of New York City OPEID# 025256	The Art Institute of Portland OPEID# 007819	The Art Institute of Seattle OPEID# 022913	Miami International University of Art & Design	The Art Institute of Tampa	The Art Institute of Jacksonville	Reclassifications
Assets														
Current assets:														
Cash:														
Cash and cash equivalents	$ 273	$ 41	$ 12	$ -	$ 2,696	$ 729	$ 546	$ 1,542	$ 113	$ 10,188	$ 4,862	$ 1,293	$ 2,108	$ -
Restricted cash (a)	854	111	1,054	-	2,659	250	8,090	731	2,061	1,331	1,112	89	1,513	-
Total cash, cash equivalents and restricted cash	1,127	152	1,066	-	5,355	979	8,636	2,273	2,174	11,519	5,974	1,382	3,621	-
Receivables:														
Trade	2,653	1,769	2,512	-	12,934	2,667	2,684	5,322	2,915	2,406	3,267	1,461	1,168	-
Allowance for doubtful accounts	(1,271)	(739)	(1,346)	-	(6,758)	(1,476)	(1,391)	(3,338)	(1,253)	(1,240)	(1,403)	(915)	(618)	-
Notes, advances, and other receivables	4	82	11	-	345	175	139	12	69	1,042	193	(3)	10	-
Inventories	86	19	84	-	366	65	173	161	81	81	133	44	61	-
Deferred income taxes	481	277	500	-	2,624	684	621	1,178	610	501	757	400	267	-
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	-	-	-	20	-	22	170	110	29	-	-	-	-
Total current assets	3,080	1,560	2,827	-	14,886	3,094	10,884	5,778	4,706	14,338	8,921	2,369	4,509	-
Property and equipment, net	7,932	1,510	5,542	-	26,513	4,001	5,037	1,715	5,129	2,092	7,683	2,251	4,376	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	127	69	(196)	-	795	-	-	203	4,710	-	1,409	-	(1,409)
Other long-term assets	247	233	220	-	2,226	485	458	428	392	426	169	435	75	-
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	88	-	-	-	345	-	-	-
Goodwill	-	-	-	-	-	424	6,752	3,479	1,519	-	21,748	-	-	-
Total assets	$ 11,259	$ 3,430	$ 8,658	$ (196)	$ 43,625	$ 8,799	$ 23,219	$ 11,400	$ 11,949	$ 21,566	$ 38,866	$ 6,464	$ 8,960	$ (1,409)
Liabilities and shareholders' equity														
Current liabilities:														
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	5	2	32	-	142	26	97	32	32	(83)	37	47	8	-
Accrued liabilities	293	138	248	-	1,230	297	440	377	308	1,662	614	344	208	-
Advance payments	964	173	315	-	2,964	1,137	886	1,020	929	2,408	1,914	738	235	-
Unearned tuition	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	1,262	313	595	-	4,336	1,460	1,423	1,429	1,269	3,987	2,565	1,129	451	-
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	413	-	-	(196)	1,596	-	139	186	-	-	4,585	-	51	(1,409)
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	2,050	515	1,789	-	10,009	1,483	5,139	197	2,517	9,131	1,205	589	1,214	-
Shareholders' equity:														
Common stock, at par	-	-	-	-	1	-	163	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	3,650	16,363	22,880	5,200	1	40,671	10,010	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	25,973	689	4,985	-	105,604	52,546	23,004	(13,191)	41,429	101,406	75,842	12,616	(4,992)	-
Payable to (receivable from) EDMC	(18,439)	1,913	1,289	-	(77,921)	(50,340)	(23,012)	(101)	(38,466)	(92,959)	(86,002)	(17,880)	12,236	-
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	7,534	2,602	6,274	-	27,684	5,856	16,518	9,588	8,163	8,448	30,511	4,746	7,244	-
Total liabilities and shareholders' equity	$ 11,259	$ 3,430	$ 8,658	$ (196)	$ 43,625	$ 8,799	$ 23,219	$ 11,400	$ 11,949	$ 21,566	$ 38,866	$ 6,464	$ 8,960	$ (1,409)

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2013
(in thousands)

	Miami International University of Art & Design Combined OPEID# 008878	The Art Institute of Atlanta	The Art Institute of Tennessee - Nashville	The Art Institute of Charleston	The Art Institute of Washington	The Art Institute of Decatur	The Art Institute of Washington-Dulles	The Art Institute of Virginia Beach	Reclassifications	The Art Institute of Atlanta Combined OPEID# 009270	The Illinois Institute of Art (Chicago)	The Illinois Institute of Art - Schaumburg	The Art Institute of Michigan	The Art Institute of Ohio - Cincinnati
Assets														
Current assets:														
Cash:														
Cash and cash equivalents	$ 8,263	$ 22	$ 48	$ 1,908	$ 1,584	$ 1,158	$ 11	$ 210	$ -	$ 4,941	$ 22	$ 105	$ 761	$ (8)
Restricted cash (a)	2,714	948	81	49	74	1,131	3,519	1,022	-	6,824	1,835	2,052	2,016	116
Total cash, cash equivalents and restricted cash	10,977	970	129	1,957	1,658	2,289	3,530	1,232	-	11,765	1,857	2,157	2,777	108
Receivables:														
Trade	5,896	12,837	3,966	1,866	4,688	1,489	858	754	-	26,458	5,382	1,688	2,090	5,206
Allowance for doubtful accounts	(2,936)	(8,125)	(2,818)	(1,249)	(2,583)	(1,049)	(336)	(406)	-	(16,566)	(3,505)	(788)	(1,020)	(3,357)
Notes, advances, and other receivables	200	217	16	7	60	119	13	2	-	434	(106)	42	6	41
Inventories	238	203	59	130	60	78	12	28	-	570	94	53	111	186
Deferred income taxes	1,424	2,916	1,130	501	1,035	382	145	180	-	6,289	1,488	440	418	1,245
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	50	1	25	62	21	-	22	-	181	-	-	-	-
Total current assets	15,799	9,068	2,483	3,237	4,980	3,329	4,222	1,812	-	29,131	5,210	3,592	4,382	3,429
Property and equipment, net	14,310	6,165	4,691	3,997	3,290	2,288	2,332	3,696	-	26,459	5,292	2,944	6,008	3,966
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	285	-	100	1,267	-	-	-	(483)	1,169	2,809	717	125	267
Other long-term assets	679	1,454	439	452	256	158	48	48	-	2,855	208	62	129	717
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	345	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	21,748	-	-	-	-	-	-	-	-	-	456	395	-	-
Total assets	$ 52,881	$ 16,972	$ 7,613	$ 7,786	$ 9,793	$ 5,775	$ 6,602	$ 5,556	$ (483)	$ 59,614	$ 13,975	$ 7,710	$ 10,644	$ 8,379
Liabilities and shareholders' equity														
Current liabilities:														
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	92	73	-	-	20	10	5	-	-	108	143	(161)	(6)	(37)
Accrued liabilities	1,166	578	237	261	516	157	92	123	-	1,964	525	259	158	280
Advance payments	2,887	1,659	614	517	747	363	188	198	-	4,286	1,423	851	323	207
Unearned tuition	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	4,145	2,310	851	778	1,283	530	285	321	-	6,358	2,091	949	475	450
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	3,227	-	4	-	-	294	111	74	(483)	-	-	-	-	-
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	3,008	1,968	896	833	939	868	1,193	1,393	-	8,090	2,565	1,400	1,922	1,214
Shareholders' equity:														
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	50,681	7,268	-	-	10,000	-	-	-	-	17,268	16,256	4,255	-	4,874
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	83,466	115,798	6,726	3,936	26,982	1,249	(3,838)	177	-	151,030	67,811	44,275	(3,491)	2,658
Payable to (receivable from) EDMC	(91,646)	(110,372)	(864)	2,239	(29,411)	2,834	8,851	3,591	-	(123,132)	(74,748)	(43,169)	11,738	(817)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	42,501	12,694	5,862	6,175	7,571	4,083	5,013	3,768	-	45,166	9,319	5,361	8,247	6,715
Total liabilities and shareholders' equity	$ 52,881	$ 16,972	$ 7,613	$ 7,786	$ 9,793	$ 5,775	$ 6,602	$ 5,556	$ (483)	$ 59,614	$ 13,975	$ 7,710	$ 10,644	$ 8,379

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2013
(in thousands)

	The Art Institute of Michigan Troy	The Art Institute of Tinley Park	The Illinois Institute of Art (Chicago) Combined OPEID# 012584	Argosy University	Western State University - College of Law	The Art Institute of California- San Francisco	The Art Institute of California- Los Angeles	The Art Institute of California- Orange County	The Art Institute of California- Sacramento	The Art Institute of California- San Diego	The Art Institute of California- Inland Empire	The Art Institute of California- Hollywood	The Art Institute of California- Silicon Valley	Argosy University Combined OPEID #021799
Assets														
Current assets:														
Cash:														
Cash and cash equivalents	$ 505	$ 12	$ 1,397	$ 38,334	$ 5,060	$ 1,545	$ 1,037	$ 589	$ 14	$ 66	$ 41	$ 144	$ 1,075	$ 47,905
Restricted cash (a)	2,003	3,010	11,032	40,551	1,000	1,873	2,609	465	372	4,515	285	1,618	414	53,702
Total cash, cash equivalents and restricted cash	2,508	3,022	12,429	78,885	6,060	3,418	3,646	1,054	386	4,581	326	1,762	1,489	101,607
Receivables:														
Trade	458	741	15,565	39,777	239	3,916	5,745	5,339	3,835	2,133	12,213	11,710	1,500	86,407
Allowance for doubtful accounts	(217)	(320)	(9,207)	(17,084)	(127)	(1,795)	(3,046)	(2,667)	(1,765)	(812)	(5,361)	(5,771)	(631)	(39,059)
Notes, advances, and other receivables	-	41	24	8,590	618	65	274	63	42	537	82	(328)	(12)	9,931
Inventories	25	17	486	64	-	99	51	67	188	106	91	102	74	842
Deferred income taxes	90	151	3,832	8,050	200	876	1,410	1,176	808	600	2,213	2,325	333	17,991
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	-	-	803	145	41	1,272	11	-	5	230	141	-	2,648
Total current assets	2,864	3,652	23,129	119,085	7,135	6,620	9,352	5,043	3,494	7,150	9,794	9,941	2,753	180,367
Property and equipment, net	1,863	2,038	22,111	34,798	1,140	9,240	5,951	5,433	6,110	7,198	10,669	10,812	3,966	95,317
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	3,918	3,358	853	468	4,119	1,855	1,169	276	589	-	297	12,984
Other long-term assets	34	20	1,170	83	308	586	803	512	428	179	2,614	1,624	172	7,309
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	4,580	91	-	-	-	-	-	-	1	-	4,672
Goodwill	-	-	851	63,445	-	666	-	-	-	9,211	-	14,128	-	87,450
Total assets	$ 4,761	$ 5,710	$ 51,179	$ 225,349	$ 9,527	$ 17,580	$ 20,225	$ 12,843	$ 11,201	$ 24,014	$ 23,666	$ 36,506	$ 7,188	$ 388,099
Liabilities and shareholders' equity														
Current liabilities:														
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	17	19	(25)	2,708	64	55	(116)	58	259	94	332	(137)	32	3,349
Accrued liabilities	67	149	1,438	14,636	510	644	690	518	477	545	871	567	322	19,780
Advance payments	51	69	2,924	24,560	116	1,382	1,723	1,303	514	2,210	561	197	405	32,971
Unearned tuition	-	-	-	29,609	257	-	-	-	-	-	-	-	-	29,866
Total current liabilities	135	237	4,337	71,513	947	2,081	2,297	1,879	1,250	2,849	1,764	627	759	85,966
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	211	124	335	3,161	-	-	-	-	-	-	-	2,310	-	5,471
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	792	1,186	9,079	21,589	2,711	3,368	9,671	2,044	1,872	2,389	2,700	5,511	314	52,169
Shareholders' equity:														
Common stock, at par	-	-	-	10	-	-	-	-	-	10	-	-	-	20
Additional paid-in capital	-	-	25,385	152,021	30,480	10,777	7,900	11,900	-	13,490	-	18,116	-	244,684
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	(3,189)	(1,905)	106,159	132,537	(2,812)	18,500	45,600	55,196	9,040	99,148	32,032	23,776	1,052	414,069
Payable to (receivable from) EDMC	6,812	6,068	(94,116)	(155,482)	(21,799)	(17,146)	(45,243)	(58,176)	(961)	(93,872)	(12,830)	(13,834)	5,063	(414,280)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	3,623	4,163	37,428	129,086	5,869	12,131	8,257	8,920	8,079	18,776	19,202	28,058	6,115	244,493
Total liabilities and shareholders' equity	$ 4,761	$ 5,710	$ 51,179	$ 225,349	$ 9,527	$ 17,580	$ 20,225	$ 12,843	$ 11,201	$ 24,014	$ 23,666	$ 36,506	$ 7,188	$ 388,099

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2013
(in thousands)

	Argosy Professional Services Not Title IV Eligible	Argosy Education Group Consolidated	South University - Savannah	South University - Tampa	South University - West Palm Beach	South University - Montgomery	South University - Richmond	South University - Columbia	South University - Virginia Beach	South University - Novi	South University - Austin	South University - Cleveland	South University - Highpoint	The Art Institute of Dallas
Assets														
Current assets:														
Cash:														
Cash and cash equivalents	$ 122	$ 48,027	$ 243	$ 19	$ 1,572	$ 8	$ 1	$ 1	$ 3,791	$ 1	$ 2,288	$ 4,690	$ 3,893	$ 1,042
Restricted cash (a)	-	53,702	27,334	200	3,334	1,901	2,100	3,520	1,000	4,000	-	-	-	66
Total cash, cash equivalents and restricted cash	122	101,729	27,577	219	4,906	1,909	2,101	3,521	4,791	4,001	2,288	4,690	3,893	1,108
Receivables:														
Trade	253	86,660	34,252	6,973	6,493	5,982	5,815	10,383	5,657	3,251	1,290	1,522	1,188	4,328
Allowance for doubtful accounts	-	(39,059)	(17,965)	(1,012)	(743)	(1,368)	(773)	(1,545)	(785)	(411)	(203)	(206)	(130)	(2,753)
Notes, advances, and other receivables	-	9,931	9,222	12	8	6	5	37	7	1	-	-	8	(11)
Inventories	163	1,005	154	107	135	106	146	197	267	102	35	75	86	106
Deferred income taxes	48	18,039	6,407	430	346	570	321	608	324	186	78	90	67	1,005
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	195	2,843	85	25	8	8	11	21	17	-	-	-	7	361
Total current assets	781	181,148	59,732	6,754	11,153	7,213	7,626	13,222	10,278	7,130	3,488	6,171	5,119	4,144
Property and equipment, net	374	95,691	2,425	1,571	6,638	2,347	5,161	4,224	2,565	2,763	1,488	4,153	3,717	5,822
Investment in subsidiaries	-	-	85,155	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	12,984	-	254	387	494	566	353	-	93	-	-	626	1,439
Other long-term assets	-	7,309	733	36	41	671	816	851	71	227	42	87	23	372
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	28	4,700	4,101	-	133	89	-	54	-	-	-	-	-	-
Goodwill	-	87,450	44,295	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 1,183	$ 389,282	$ 196,441	$ 8,615	$ 18,352	$ 10,814	$ 14,169	$ 18,704	$ 12,914	$ 10,213	$ 5,018	$ 10,411	$ 9,485	$ 11,777
Liabilities and shareholders' equity														
Current liabilities:														
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	39	3,388	1,310	91	123	94	151	304	272	101	63	72	150	53
Accrued liabilities	531	20,311	12,023	224	205	152	106	128	146	145	183	127	132	1,195
Advance payments	801	33,772	21,370	176	106	70	32	126	359	56	12	5	9	1,201
Unearned tuition	-	29,866	12,143	4,361	5,015	3,050	2,991	7,630	3,259	2,010	820	1,029	828	-
Total current liabilities	1,371	87,337	46,846	4,852	5,449	3,366	3,280	8,188	4,036	2,312	1,078	1,233	1,119	2,449
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	55	5,526	11,616	-	-	-	-	-	117	-	232	169	-	-
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	35	52,204	1,126	103	4,856	2,015	2,911	1,466	1,429	2,416	83	2,674	2,305	3,795
Shareholders' equity:														
Common stock, at par	-	20	10	-	1	3	-	1	-	-	-	-	-	-
Additional paid-in capital	1,817	246,501	57,464	-	1,475	1,130	-	1,184	-	-	-	-	-	4,125
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	8,232	422,301	70,609	4,886	21,969	12,118	178	36,603	(1,353)	(5,964)	(6,818)	(4,665)	(2,101)	45,418
Payable to (receivable from) EDMC	(10,327)	(424,607)	8,770	(1,226)	(15,398)	(7,818)	7,800	(28,738)	8,685	11,449	10,443	11,000	8,162	(44,010)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	(278)	244,215	136,853	3,660	8,047	5,433	7,978	9,050	7,332	5,485	3,625	6,335	6,061	5,533
Total liabilities and shareholders' equity	$ 1,183	$ 389,282	$ 196,441	$ 8,615	$ 18,352	$ 10,814	$ 14,169	$ 18,704	$ 12,914	$ 10,213	$ 5,018	$ 10,411	$ 9,485	$ 11,777

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2013
(in thousands)

	The Art Institute of Fort Worth	The Art Institute of Charlotte	The Art Institute of Raleigh - Durham	South University Reclass and Elims	South University Consolidated OPEID# 013039	Brown Mackie College - Salina	Brown Mackie College-Oklahoma City	Brown Mackie College - Kansas City	Brown Mackie Education Corporation OPEID# 006755	Corporate and Eliminations	EDMC
Assets											
Current assets:											
Cash:											
Cash and cash equivalents	$ 10	$ 8	$ (42)	$ -	$ 17,525	$ 656	$ 1,201	$ 1,108	$ 2,965	$ (9,607)	$ 130,695
Restricted cash (a)	1,021	201	14	-	44,691	487	2,500	750	3,737	41,781	271,340
Total cash, cash equivalents and restricted cash	1,031	209	(28)	-	62,216	1,143	3,701	1,858	6,702	32,174	402,035
Receivables:											
Trade	1,136	8,122	4,539	-	100,931	890	649	1,012	2,551	217	381,166
Allowance for doubtful accounts	(518)	(5,414)	(2,470)	-	(36,296)	(372)	(284)	(445)	(1,101)	(291)	(174,760)
Notes, advances, and other receivables	73	(28)	34	-	9,374	326	2	3	331	(804)	32,547
Inventories	48	55	53	-	1,672	6	5	23	34	(651)	5,873
Deferred income taxes	198	1,914	995	-	13,539	180	124	200	504	6,246	76,927
Prepaid income taxes	-	-	-	-	-	-	-	-	-	20,854	20,854
Other current assets	-	2	-	-	545	6	-	-	6	22,448	26,977
Total current assets	1,968	4,860	3,123	-	151,981	2,179	4,197	2,651	9,027	80,193	771,619
Property and equipment, net	1,419	2,305	5,248	-	51,846	1,431	2,714	4,109	8,254	116,320	525,625
Investment in subsidiaries	-	-	-	(85,155)	-	-	-	-	-	-	-
Deferred income taxes	432	629	54	(5,327)	-	200	1	-	201	(51,760)	-
Other long-term assets	70	858	583	-	5,481	3	3	17	23	19,431	48,524
Investment in affiliate	-	-	-	-	-	2,630	-	-	2,630	(2,630)	-
Intangible assets, net of amortization	-	-	-	-	4,377	-	-	-	-	287,807	300,435
Goodwill	-	607	-	-	44,902	-	-	-	-	464,791	669,090
Total assets	$ 3,889	$ 9,259	$ 9,008	$ (90,482)	$ 258,587	$ 6,443	$ 6,915	$ 6,777	$ 20,135	$ 914,152	$ 2,315,293
Liabilities and shareholders' equity											
Current liabilities:											
Revolving credit facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 75,000	$ 75,000
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	11,900	12,076
Accounts payable	27	129	70	-	3,010	26	137	23	186	22,229	32,559
Accrued liabilities	98	323	241	(1)	15,427	164	95	157	416	94,526	157,417
Advance payments	305	324	257	-	24,408	120	14	52	186	1,403	95,675
Unearned tuition	-	-	-	-	43,136	495	403	528	1,426	-	113,371
Total current liabilities	430	776	568	(1)	85,981	805	649	760	2,214	205,058	486,098
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	1,273,164	1,273,164
Deferred income taxes	-	-	-	(5,327)	6,807	-	427	65	492	44,379	70,316
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	717	823	2,224	-	28,943	403	1,002	315	1,720	53,994	235,616
Shareholders' equity:											
Common stock, at par	-	50	-	(4)	61	-	-	-	-	1,009	1,435
Additional paid-in capital	-	12,002	-	(5,129)	72,251	13,393	-	-	13,393	1,131,096	1,794,846
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	(328,605)	(328,605)
(Accumulated deficit) retained earnings	(137)	14,732	2,192	(71,153)	116,514	3,566	(4,211)	2,589	1,944	(3,197,505)	(1,203,936)
Payable to (receivable from) EDMC	2,879	(19,124)	4,024	(8,868)	(51,970)	(11,724)	9,048	3,048	372	1,746,461	-
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	(14,899)	(13,641)
Total shareholders' equity	2,742	7,660	6,216	(85,154)	136,856	5,235	4,837	5,637	15,709	(662,443)	250,099
Total liabilities and shareholders' equity	$ 3,889	$ 9,259	$ 9,008	$ (90,482)	$ 258,587	$ 6,443	$ 6,915	$ 6,777	$ 20,135	$ 914,152	$ 2,315,293

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2012
(in thousands)

	The Art Institute of Pittsburgh **(a)**	The Art Institute of Philadelphia **(a)**	The Art Institute of Colorado	The Art Institute of Phoenix	The Art Institutes International Kansas City	The Art Institute of Wisconsin	The Art Institute of Las Vegas	The Art Institute of Salt Lake City	The Art Institute of Indianapolis	The Art Institute of Tucson TDC	Brown Mackie College - Cincinnati	Brown Mackie College - Akron	Brown Mackie College - Northern Kentucky
	OPEID# 007470	OPEID# 008350	OPEID# 020789										
Assets													
Current assets:													
Cash:													
Cash and cash equivalents	$ 5,330	$ 39	$ 67	$ (40)	$ 1,501	$ 2,408	$ 510	$ 504	$ 552	$ 1,007	$ 8,907	$ 1,005	$ 1,008
Restricted cash (a)	12,525	2,086	3,235	19	20	3,027	11	20	62	250	5,139	1,016	752
Total cash, cash equivalents and restricted cash	17,855	2,125	3,302	(21)	1,521	5,435	521	524	614	1,257	14,046	2,021	1,760
Receivables:													
Trade	34,218	10,402	4,546	5,326	2,524	1,053	5,693	3,146	3,113	699	3,824	2,378	1,651
Allowance for doubtful accounts	(20,562)	(6,716)	(3,089)	(2,694)	(1,639)	(589)	(4,470)	(1,563)	(1,707)	(350)	(2,888)	(1,588)	(1,103)
Notes, advances, and other receivables	158	(139)	152	527	19	(2)	29	(74)	2	29	(81)	122	2
Inventories	187	111	128	99	72	56	85	123	41	51	50	64	59
Deferred income taxes	7,420	2,446	1,487	1,135	672	273	1,601	628	616	201	1,069	614	470
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	(59)	236	36	11	-	123	2	-	75	-	-	-	-
Total current assets	39,217	8,465	6,562	4,383	3,169	6,349	3,461	2,784	2,754	1,887	16,020	3,611	2,839
Property and equipment, net	19,220	8,152	13,878	2,012	4,717	7,712	4,650	2,989	4,204	4,377	3,518	3,271	1,944
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	437	3,690	484	629	-	-	106	266	-	-	6,662	-	-
Other long-term assets	955	621	642	910	231	63	786	153	308	123	147	133	53
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	4,965	-	-
Receivable from related party	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	2,033	-	-	-	-	-	75	-	-	57	-	-	-
Goodwill	371	-	-	-	-	-	2,006	-	-	1,798	-	-	-
Total assets	$ 62,233	$ 20,928	$ 21,566	$ 7,934	$ 8,117	$ 14,124	$ 11,084	$ 6,192	$ 7,266	$ 8,242	$ 31,312	$ 7,015	$ 4,836
Liabilities and shareholders' equity													
Current liabilities:													
Current portion of long-term debt	$ -	$ 226	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving credit facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	1,300	335	378	71	10	87	31	59	42	43	57	90	79
Accrued liabilities	4,773	584	606	331	176	235	262	161	282	149	293	240	237
Advance payments	4,380	2,295	1,592	647	337	109	731	335	264	183	74	38	32
Unearned tuition	12,944	-	-	19	-	-	-	-	-	-	1,335	975	710
Total current liabilities	23,397	3,440	2,576	1,068	523	431	1,024	555	588	375	1,759	1,343	1,058
Long-term debt, less current portion	-	234	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	916	-	-	-	347	732	-	-	72	551	13	113	201
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	-	1,036	686	891	807	2,672	610	1,360	1,475	1,502	1,989	1,435	87
Shareholders' equity:													
Common stock, at par	-	-	70	-	-	-	1	-	-	100	-	-	-
Additional paid-in capital	-	-	(13)	1,000	-	-	11,948	-	-	2,083	50,874	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	236,038	113,530	95,120	41,187	(1,642)	(2,178)	23,613	332	13,806	(2,002)	7,766	16,674	9,004
Payable to (receivable from) EDMC	(198,118)	(97,354)	(76,873)	(36,212)	8,082	12,467	(26,112)	3,945	(8,675)	5,633	(31,089)	(12,550)	(5,514)
Accumulated other comprehensive (loss) income	-	42	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	37,920	16,218	18,304	5,975	6,440	10,289	9,450	4,277	5,131	5,814	27,551	4,124	3,490
Total liabilities and shareholders' equity	$ 62,233	$ 20,928	$ 21,566	$ 7,934	$ 8,117	$ 14,124	$ 11,084	$ 6,192	$ 7,266	$ 8,242	$ 31,312	$ 7,015	$ 4,836

(a) Restricted cash includes endowments of $0.5 million required by Pennsylvania state law at each of the Company's Art Institute of Pittsburgh, Art Institute of Philadelphia, Art Institute of York and South University Online Institutions.

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2012
(in thousands)

	Brown Mackie College - Miami	Brown Mackie College - Merrillville	Brown Mackie College - Quad Cities	Brown Mackie College - Michigan City	Brown Mackie College - Findlay	Brown Mackie College - Indianapolis	Brown Mackie College - Louisville	Brown Mackie College - Hopkinsville	Brown Mackie College - South Bend	Brown Mackie College - Ft Wayne	Brown Mackie College - Boise	Brown Mackie College - Tulsa	Brown Mackie College - San Antonio
Assets													
Current assets:													
Cash:													
Cash and cash equivalents	$ 2,453	$ 6,021	$ 3,127	$ 1,996	$ 1,010	$ 2,667	$ 2,627	$ 1,532	$ 6,030	$ 2,694	$ 3,505	$ 3,552	$ 3,002
Restricted cash (a)	2,042	3,057	200	100	2,550	339	183	101	6,186	203	750	1,000	2,000
Total cash, cash equivalents and restricted cash	4,495	9,078	3,327	2,096	3,560	3,006	2,810	1,633	12,216	2,897	4,255	4,552	5,002
Receivables:													
Trade	2,504	1,496	726	657	2,538	3,803	4,288	661	1,534	2,348	824	849	1,379
Allowance for doubtful accounts	(1,188)	(823)	(528)	(460)	(1,896)	(2,532)	(2,886)	(379)	(1,098)	(1,445)	(544)	(383)	(558)
Notes, advances, and other receivables	32	52	(1)	(39)	(14)	22	20	9	(113)	133	9	13	13
Inventories	59	64	38	28	33	83	115	33	35	143	38	54	49
Deferred income taxes	506	346	185	186	707	912	1,194	175	397	531	261	176	227
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	1,470	-	-	566	-	-	38	-	-	-	-	80	-
Total current assets	7,878	10,213	3,747	3,034	4,928	5,294	5,579	2,132	12,971	4,607	4,843	5,341	6,112
Property and equipment, net	2,878	1,286	2,850	3,818	2,800	5,929	5,486	1,226	3,797	3,726	4,504	3,562	3,303
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	88	3,044	-	-	1,472	-	-	-	3,283	88	19	-	-
Other long-term assets	176	13	115	21	46	27	2	6	13	12	31	18	34
Investment in affiliate	-	-	-	-	2,483	-	-	-	2,483	-	-	-	-
Receivable from related party	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	-	-	1	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	$ 11,020	$ 14,556	$ 6,712	$ 6,873	$ 11,729	$ 11,250	$ 11,067	$ 3,364	$ 22,547	$ 8,433	$ 9,397	$ 8,922	$ 9,449
Liabilities and shareholders' equity													
Current liabilities:													
Current portion of long-term debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving credit facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	61	49	47	61	49	92	132	23	57	153	42	278	95
Accrued liabilities	377	273	54	157	218	238	394	92	174	308	184	558	130
Advance payments	69	35	31	22	44	70	106	7	92	93	44	92	65
Unearned tuition	1,346	591	350	365	619	1,307	1,997	279	698	1,298	546	561	620
Total current liabilities	1,853	948	482	605	930	1,707	2,629	401	1,021	1,852	816	1,489	910
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	923	209	-	389	231	263	-	-	-	42	495
Payable to affiliate	-	-	-	-	400	-	-	-	-	-	-	-	-
Other long-term liabilities	1,951	80	190	1,824	21	3,172	1,900	379	2,169	217	1,869	545	1,394
Shareholders' equity:													
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	25,595	-	-	19,413	-	3,873	-	30,182	-	-	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	5,180	(2,230)	(258)	5,280	11,931	8,861	17,647	1,709	2,962	31,018	1,372	(1,588)	(2,180)
Payable to (receivable from) EDMC	2,036	(9,837)	5,375	(1,045)	(20,966)	(2,879)	(15,213)	612	(13,787)	(24,654)	5,340	8,434	8,830
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	7,216	13,528	5,117	4,235	10,378	5,982	6,307	2,321	19,357	6,364	6,712	6,846	6,650
Total liabilities and shareholders' equity	$ 11,020	$ 14,556	$ 6,712	$ 6,873	$ 11,729	$ 11,250	$ 11,067	$ 3,364	$ 22,547	$ 8,433	$ 9,397	$ 8,922	$ 9,449

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2012
(in thousands)

	Brown Mackie College - Birmingham	Brown Mackie College - Tucson (Chaparral)	Brown Mackie College - Phoenix	Brown Mackie College - North Canton	Brown Mackie College - Greenville	Brown Mackie College - St. Louis	Brown Mackie College - Atlanta	Brown Mackie College - Albuquerque	The Art Institute of Phoenix Combined	The Art Institute of York - Pennsylvania (a)	The Art Institute of Ft Lauderdale	The Art Institute of Houston	The Art Institute of Austin
									OPEID# 040513	OPEID# 025578	OPEID# 010195		
Assets													
Current assets:													
Cash:													
Cash and cash equivalents	$ 3,002	$ 3,006	$ 2,611	$ 2,406	$ 2,004	$ 2,004	$ 2,499	$ 1,211	$ 76,321	$ 1,539	$ 1,061	$ 51	$ 1,641
Restricted cash (a)	2,000	2,172	1,200	1,127	1,400	2,500	1,188	2,500	43,114	1,689	1,211	3,159	750
Total cash, cash equivalents and restricted cash	5,002	5,178	3,811	3,533	3,404	4,504	3,687	3,711	119,435	3,228	2,272	3,210	2,391
Receivables:													
Trade	1,239	1,761	1,144	2,192	1,527	1,221	3,022	1,214	66,334	1,216	4,679	6,634	2,435
Allowance for doubtful accounts	(426)	(998)	(657)	(1,674)	(834)	(520)	(1,938)	(527)	(40,885)	(650)	(2,842)	(4,178)	(1,598)
Notes, advances, and other receivables	17	(60)	205	(257)	16	18	18	4	670	(41)	87	81	19
Inventories	68	46	46	44	68	61	88	88	1,981	89	110	214	112
Deferred income taxes	193	432	291	616	349	226	776	256	16,221	267	1,205	1,619	615
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	13	-	-	10	-	10	4	2,402	-	-	291	-
Total current assets	6,093	6,372	4,840	4,454	4,540	5,510	5,663	4,750	166,158	4,109	5,511	7,871	3,974
Property and equipment, net	3,831	2,606	3,179	3,452	4,409	3,557	3,895	3,615	113,103	1,355	8,533	12,272	9,016
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	366	1,428	156	470	-	169	-	-	18,246	-	1,714	-	-
Other long-term assets	10	3	-	51	-	-	38	27	3,550	220	840	1,268	60
Investment in affiliate	-	-	-	-	-	-	-	-	9,931	-	-	-	-
Receivable from related party	-	-	-	-	-	-	800	-	800	-	-	-	-
Intangible assets, net of amortization	-	122	-	-	-	-	-	-	255	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	3,804	8,240	-	-	-
Total assets	$ 10,300	$ 10,531	$ 8,175	$ 8,427	$ 8,949	$ 9,236	$ 10,396	$ 8,392	$ 315,847	$ 13,924	$ 16,598	$ 21,411	$ 13,050
Liabilities and shareholders' equity													
Current liabilities:													
Current portion of long-term debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving credit facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	112	60	34	145	64	182	104	118	2,527	28	78	51	184
Accrued liabilities	140	224	106	229	152	138	232	197	6,941	260	420	475	619
Advance payments	10	56	57	38	75	88	79	47	3,970	247	1,661	1,173	874
Unearned tuition	662	711	561	671	887	549	1,124	693	19,474	-	-	-	-
Total current liabilities	924	1,051	758	1,083	1,178	957	1,539	1,055	32,912	535	2,159	1,699	1,677
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	340	-	203	243	5,367	2,043	-	1,958	570
Payable to affiliate	-	-	-	-	-	-	-	-	400	-	-	-	-
Other long-term liabilities	2,297	118	1,793	2,302	1,819	1,837	1,633	1,949	42,287	57	758	5,766	2,076
Shareholders' equity:													
Common stock, at par	-	10	-	-	-	-	-	-	111	-	-	1	-
Additional paid-in capital	-	7,628	-	8,112	-	-	4,134	-	164,842	12,772	1	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	(1,256)	(3,352)	(2,413)	20,632	506	(2,402)	2,102	(1,228)	198,853	6,353	118,401	66,264	18,559
Payable to (receivable from) EDMC	8,335	5,076	8,037	(23,702)	5,106	8,844	785	6,373	(128,925)	(7,836)	(104,721)	(54,277)	(9,832)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	7,079	9,362	5,624	5,042	5,612	6,442	7,021	5,145	234,881	11,289	13,681	11,988	8,727
Total liabilities and shareholders' equity	$ 10,300	$ 10,531	$ 8,175	$ 8,427	$ 8,949	$ 9,236	$ 10,396	$ 8,392	$ 315,847	$ 13,924	$ 16,598	$ 21,411	$ 13,050

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2012
(in thousands)

	The Art Institute of Houston North	The Art Institute of San Antonio	The Art Institute of Houston Combined	The Art Institutes International Minnesota	The New England Institute of Art	The Art Institute of New York City	The Art Institute of Portland	The Art Institute of Seattle	Miami International University of Art & Design	The Art Institute of Tampa	The Art Institute of Jacksonville	Reclassifications	Miami International University of Art & Design Combined
			OPEID# 021171	OPEID# 010248	OPEID# 007486	OPEID# 025256	OPEID# 007819	OPEID# 022913					OPEID# 008878
Assets													
Current assets:													
Cash:													
Cash and cash equivalents	$ 708	$ 12	$ 2,412	$ 527	$ 8,113	$ 32	$ 343	$ 464	$ 3,068	$ 1,643	$ 2,357	$ -	$ 7,068
Restricted cash (a)	-	2,001	5,910	2,147	4,068	3,091	2,008	3,056	3,180	45	1,500	-	4,725
Total cash, cash equivalents and restricted cash	708	2,013	8,322	2,674	12,181	3,123	2,351	3,520	6,248	1,688	3,857	-	11,793
Receivables:													
Trade	1,190	1,779	12,038	2,486	3,366	5,194	2,470	2,869	3,217	2,496	1,480	-	7,193
Allowance for doubtful accounts	(748)	(1,061)	(7,585)	(1,467)	(1,605)	(3,117)	(1,268)	(1,610)	(1,567)	(1,814)	(1,058)	-	(4,439)
Notes, advances, and other receivables	60	(2)	158	79	(25)	(69)	96	107	195	(5)	13	-	203
Inventories	21	55	402	73	234	164	55	81	158	124	110	-	392
Deferred income taxes	261	414	2,909	793	799	1,157	715	655	868	719	439	-	2,026
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	32	-	323	-	3	86	2	46	-	28	2	-	30
Total current assets	1,524	3,198	16,567	4,638	14,953	6,538	4,421	5,668	9,119	3,236	4,843	-	17,198
Property and equipment, net	1,818	4,928	28,034	5,182	5,775	2,942	6,367	12,127	9,372	3,399	5,312	-	18,083
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	541	413	-	-	1,903	-	1,058	-	(1,058)	-
Other long-term assets	226	222	1,776	275	546	449	175	406	160	268	67	-	495
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivable from related party	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	163	-	-	-	594	-	-	-	594
Goodwill	-	-	-	424	6,752	3,479	1,519	-	21,748	-	-	-	21,748
Total assets	$ 3,568	$ 8,348	$ 46,377	$ 11,060	$ 28,602	$ 13,408	$ 12,482	$ 20,104	$ 40,993	$ 7,961	$ 10,222	$ (1,058)	$ 58,118
Liabilities and shareholders' equity													
Current liabilities:													
Current portion of long-term debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving credit facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	13	14	262	44	107	60	49	26	105	62	121	-	288
Accrued liabilities	119	191	1,404	364	344	491	557	506	813	254	220	-	1,287
Advance payments	230	159	2,436	1,607	750	1,001	607	2,120	1,640	1,094	239	-	2,973
Unearned tuition	-	-	-	-	3,275	-	-	-	-	-	-	-	-
Total current liabilities	362	364	4,102	2,015	4,476	1,552	1,213	2,652	2,558	1,410	580	-	4,548
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	31	17	2,576	-	-	574	171	-	4,473	-	175	(1,058)	3,590
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	584	1,776	10,202	1,695	5,401	411	2,945	193	1,423	823	1,337	-	3,583
Shareholders' equity:													
Common stock, at par	-	-	1	-	163	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	3,650	16,363	22,880	5,200	1	40,671	10,010	-	-	50,681
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	(627)	577	84,773	50,697	23,546	(13,373)	38,360	98,512	66,908	11,648	(4,558)	-	73,998
Payable to (receivable from) EDMC	3,218	5,614	(55,277)	(46,997)	(21,347)	1,364	(35,407)	(81,254)	(75,040)	(15,930)	12,688	-	(78,282)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	2,591	6,191	29,497	7,350	18,725	10,871	8,153	17,259	32,539	5,728	8,130	-	46,397
Total liabilities and shareholders' equity	$ 3,568	$ 8,348	$ 46,377	$ 11,060	$ 28,602	$ 13,408	$ 12,482	$ 20,104	$ 40,993	$ 7,961	$ 10,222	$ (1,058)	$ 58,118

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2012
(in thousands)

	The Art Institute of Atlanta	The Art Institute of Tennessee - Nashville	The Art Institute of Charleston	The Art Institute of Washington	The Art Institute of Decatur	The Art Institute of Washington-Dulles	The Art Institute of Virginia Beach	Reclassifications	The Art Institute of Atlanta Combined OPEID# 009270	The Illinois Institute of Art (Chicago)	The Illinois Institute of Art - Schaumburg	The Art Institute of Michigan	The Art Institute of Ohio - Cincinnati
Assets													
Current assets:													
Cash:													
Cash and cash equivalents	$ 22	$ 12	$ 51	$ 24	$ 2,319	$ 1,292	$ (3)	$ -	$ 3,717	$ 1,153	$ 1,238	$ 2,809	$ 1,234
Restricted cash (a)	758	750	1,033	855	207	2,000	2,000	-	7,603	1,617	2,023	2,007	29
Total cash, cash equivalents and restricted cash	780	762	1,084	879	2,526	3,292	1,997	-	11,320	2,770	3,261	4,816	1,263
Receivables:													
Trade	13,995	3,351	2,312	6,577	2,015	741	604	-	29,595	6,059	1,047	1,723	4,265
Allowance for doubtful accounts	(8,871)	(2,077)	(1,524)	(4,673)	(1,621)	(394)	(393)	-	(19,553)	(4,173)	(665)	(1,125)	(2,970)
Notes, advances, and other receivables	243	(6)	(16)	(18)	(6)	(6)	6	-	197	135	37	1	40
Inventories	200	61	110	138	78	21	19	-	627	71	93	141	171
Deferred income taxes	3,066	818	580	1,843	564	176	196	-	7,243	1,885	476	498	1,139
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	55	-	68	83	-	-	24	-	230	-	8	52	-
Total current assets	9,468	2,909	2,614	4,829	3,556	3,830	2,453	-	29,659	6,747	4,257	6,106	3,908
Property and equipment, net	7,013	6,232	4,965	4,914	2,719	2,771	4,349	-	32,963	7,767	3,878	6,458	4,688
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	896	-	-	-	(896)	-	2,430	538	-	-
Other long-term assets	1,359	325	288	225	60	34	47	-	2,338	144	59	41	473
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivable from related party	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	456	395	-	-
Total assets	$ 17,840	$ 9,466	$ 7,867	$ 10,864	$ 6,335	$ 6,635	$ 6,849	$ (896)	$ 64,960	$ 17,544	$ 9,127	$ 12,605	$ 9,069
Liabilities and shareholders' equity													
Current liabilities:													
Current portion of long-term debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving credit facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	406	86	38	91	41	14	51	-	727	90	(8)	95	52
Accrued liabilities	758	381	243	698	105	110	151	-	2,446	791	354	196	892
Advance payments	1,687	624	762	1,116	439	196	120	-	4,944	1,937	1,202	370	216
Unearned tuition	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	2,851	1,091	1,043	1,905	585	320	322	-	8,117	2,818	1,548	661	1,160
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	341	543	205	-	478	215	231	(896)	1,117	-	-	66	2
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	2,185	998	1,007	1,419	937	1,314	1,549	-	9,409	3,501	1,749	2,022	1,325
Shareholders' equity:													
Common stock, at par	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	7,268	-	-	10,000	-	-	-	-	17,268	16,256	4,255	-	4,874
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	109,551	5,392	3,929	26,841	1,169	(3,250)	(1,461)	-	142,171	65,163	39,238	(3,479)	2,066
Payable to (receivable from) EDMC	(104,356)	1,442	1,683	(29,301)	3,166	8,036	6,208	-	(113,122)	(70,194)	(37,663)	13,335	(358)
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	12,463	6,834	5,612	7,540	4,335	4,786	4,747	-	46,317	11,225	5,830	9,856	6,582
Total liabilities and shareholders' equity	$ 17,840	$ 9,466	$ 7,867	$ 10,864	$ 6,335	$ 6,635	$ 6,849	$ (896)	$ 64,960	$ 17,544	$ 9,127	$ 12,605	$ 9,069

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2012
(in thousands)

	The Art Institute of Michigan Troy	The Art Institute of Tinley Park	The Illinois Institute of Art (Chicago) Combined OPEID# 012584	The Art Institute of Vancouver	Argosy University	Western State University - College of Law	The Art Institute of California- San Francisco	The Art Institute of California- Los Angeles	The Art Institute of California- Orange County	The Art Institute of California- Sacramento	The Art Institute of California- San Diego	The Art Institute of California- Inland Empire	The Art Institute of California- Hollywood
Assets													
Current assets:													
Cash:													
Cash and cash equivalents	$ 2,901	$ 1,144	$ 10,479	$ 6,744	$ 21,718	$ 2,078	$ 52	$ 578	$ 59	$ 31	$ 1,490	$ 20	$ 28
Restricted cash (a)	-	2,486	8,162	-	48,135	1,700	4,266	5,454	1,332	726	4,447	468	2,407
Total cash, cash equivalents and restricted cash	2,901	3,630	18,641	6,744	69,853	3,778	4,318	6,032	1,391	757	5,937	488	2,435
Receivables:													
Trade	162	311	13,567	1,015	66,989	175	3,368	5,787	6,037	3,355	2,656	11,137	12,577
Allowance for doubtful accounts	(62)	(196)	(9,191)	(631)	(25,804)	(94)	(1,964)	(3,435)	(3,186)	(1,553)	(1,394)	(5,717)	(5,805)
Notes, advances, and other receivables	1	15	229	33	12,456	55	(18)	698	79	298	102	9	123
Inventories	41	18	535	130	90	-	158	74	107	130	114	128	85
Deferred income taxes	46	110	4,154	-	12,592	231	1,019	1,652	1,524	794	947	2,429	2,443
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	-	60	103	958	-	50	2,471	11	-	1	-	594
Total current assets	3,089	3,888	27,995	7,394	137,134	4,145	6,931	13,279	5,963	3,781	8,363	8,474	12,452
Property and equipment, net	2,159	2,458	27,408	9,947	54,495	9,065	11,083	6,690	6,804	5,275	8,390	13,622	12,835
Investment in subsidiaries	-	-	-	-	36,095	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	2,968	3,191	2,032	-	-	3,872	1,369	955	-	-	-
Other long-term assets	3	13	733	70	33	266	433	748	642	265	206	3,311	1,959
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivable from related party	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	-	-	(33)	5,998	111	-	-	-	-	238	-	1
Goodwill	-	-	851	25,579	63,445	-	666	-	-	-	9,211	-	14,128
Total assets	$ 5,251	$ 6,359	$ 59,955	$ 46,148	$ 299,232	$ 13,587	$ 19,113	$ 24,589	$ 14,778	$ 10,276	$ 26,408	$ 25,407	$ 41,375
Liabilities and shareholders' equity													
Current liabilities:													
Current portion of long-term debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving credit facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	5	17	251	67	4,537	60	46	38	68	67	20	135	94
Accrued liabilities	95	109	2,437	307	12,695	499	615	954	758	489	716	802	792
Advance payments	13	110	3,848	3,562	18,713	137	1,990	2,365	1,353	488	3,991	119	636
Unearned tuition	-	-	-	-	39,567	202	-	-	-	-	-	-	-
Total current liabilities	113	236	6,536	3,936	75,512	898	2,651	3,357	2,179	1,044	4,727	1,056	1,522
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	222	375	665	-	3,656	850	114	-	-	-	160	624	3,269
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	826	1,307	10,730	4,075	20,818	-	3,464	10,452	2,162	1,833	2,448	2,614	5,989
Shareholders' equity:													
Common stock, at par	-	-	-	-	10	-	-	-	-	-	10	-	-
Additional paid-in capital	-	-	25,385	12,575	152,021	30,480	10,777	7,900	11,900	-	13,490	-	18,116
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	(2,133)	(1,916)	98,939	6,201	124,142	(730)	17,744	42,411	50,606	5,564	87,583	24,346	19,040
Payable to (receivable from) EDMC	6,223	6,357	(82,300)	17,639	(76,927)	(17,911)	(15,637)	(39,531)	(52,069)	1,835	(82,010)	(3,233)	(6,561)
Accumulated other comprehensive (loss) income	-	-	-	1,722	-	-	-	-	-	-	-	-	-
Total shareholders' equity	4,090	4,441	42,024	38,137	199,246	11,839	12,884	10,780	10,437	7,399	19,073	21,113	30,595
Total liabilities and shareholders' equity	$ 5,251	$ 6,359	$ 59,955	$ 46,148	$ 299,232	$ 13,587	$ 19,113	$ 24,589	$ 14,778	$ 10,276	$ 26,408	$ 25,407	$ 41,375

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2012
(in thousands)

	The Art Institute of California- Silicon Valley	Argosy University Combined	Argosy Professional Services	Argosy Eliminations	Argosy Education Group Consolidated	South University - Savannah (a)	South University - Tampa	South University - West Palm Beach	South University - Montgomery	South University - Richmond	South University - Columbia	South University - Virginia Beach	South University - Novi
		OPEID #021799	Not Title IV Eligible										
Assets													
Current assets:													
Cash:													
Cash and cash equivalents	$ 1,055	$ 27,109	$ 92	$ -	$ 27,201	$ 36,819	$ 1,520	$ 4,234	$ 1,008	$ 2,502	$ 3,821	$ 1	$ 2,802
Restricted cash (a)	339	69,274	-	-	69,274	37,192	200	1,313	916	-	2,126	3,500	2,000
Total cash, cash equivalents and restricted cash	1,394	96,383	92	-	96,475	74,011	1,720	5,547	1,924	2,502	5,947	3,501	4,802
Receivables:													
Trade	1,543	113,624	145	-	113,769	57,841	5,574	5,834	5,569	4,821	9,826	3,506	1,615
Allowance for doubtful accounts	(789)	(49,741)	-	-	(49,741)	(32,298)	(764)	(793)	(1,416)	(910)	(2,239)	(497)	(308)
Notes, advances, and other receivables	91	13,893	-	-	13,893	2,871	658	(676)	9	22	-	14	8
Inventories	77	963	163	-	1,126	187	103	112	95	113	303	56	60
Deferred income taxes	454	24,085	63	-	24,148	11,443	354	378	603	388	884	202	147
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	18	4,103	174	-	4,277	346	8	1,622	8	686	21	10	-
Total current assets	2,788	203,310	637	-	203,947	114,401	7,653	12,024	6,792	7,622	14,742	6,792	6,324
Property and equipment, net	4,811	133,070	500	-	133,570	3,429	2,285	4,678	2,862	3,315	5,836	2,996	3,108
Investment in subsidiaries	-	36,095	-	(36,095)	-	42,980	-	-	-	-	-	-	-
Deferred income taxes	67	8,295	-	-	8,295	527	126	286	63	331	-	-	-
Other long-term assets	226	8,089	-	-	8,089	276	53	14	210	79	140	14	80
Investment in affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivable from related party	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets, net of amortization	-	6,348	39	-	6,387	3,798	-	155	103	-	64	-	-
Goodwill	-	87,450	-	-	87,450	44,294	-	-	-	-	-	-	-
Total assets	$ 7,892	$ 482,657	$ 1,176	$ (36,095)	$ 447,738	$ 209,705	$ 10,117	$ 17,157	$ 10,030	$ 11,347	$ 20,782	$ 9,802	$ 9,512
Liabilities and shareholders' equity													
Current liabilities:													
Current portion of long-term debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving credit facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	10	5,075	87	-	5,162	1,220	113	51	66	96	274	91	59
Accrued liabilities	291	18,611	506	-	19,117	3,955	342	216	188	200	146	93	112
Advance payments	384	30,176	872	-	31,048	28,862	137	67	45	11	479	60	18
Unearned tuition	-	39,769	-	-	39,769	13,710	3,984	4,498	2,952	2,744	7,297	2,360	977
Total current liabilities	685	93,631	1,465	-	95,096	47,747	4,576	4,832	3,251	3,051	8,196	2,604	1,166
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	8,673	100	-	8,773	11,767	-	-	-	-	239	245	67
Payable to affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term liabilities	337	50,117	35	-	50,152	679	198	4,907	1,764	2,896	1,635	1,558	2,541
Shareholders' equity:													
Common stock, at par	-	20	-	-	20	10	-	1	3	-	1	-	-
Additional paid-in capital	-	244,684	1,817	(33,789)	212,712	57,464	-	1,475	1,130	-	1,184	-	-
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	1,026	371,732	8,080	(423)	379,389	48,883	2,663	18,473	10,665	(258)	28,890	(1,940)	(4,822)
Payable to (receivable from) EDMC	5,844	(286,200)	(10,321)	(1,883)	(298,404)	43,155	2,680	(12,531)	(6,783)	5,658	(19,363)	7,335	10,560
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	6,870	330,236	(424)	(36,095)	293,717	149,512	5,343	7,418	5,015	5,400	10,712	5,395	5,738
Total liabilities and shareholders' equity	$ 7,892	$ 482,657	$ 1,176	$ (36,095)	$ 447,738	$ 209,705	$ 10,117	$ 17,157	$ 10,030	$ 11,347	$ 20,782	$ 9,802	$ 9,512

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2012
(in thousands)

	The Art Institute of Dallas	The Art Institute of Forth Worth	South University Reclass and Elims	South University Combined	The Art Institute of Charlotte	The Art Institute of Raleigh - Durham	The Art Institute of Charlotte Combined	South University Corp	South University Consolidated	Brown Mackie College - Salina	Brown Mackie College- Oklahoma City	Brown Mackie College - Kansas City	Brown Mackie Education Corporation
				OPEID# 013039			OPEID# 021105						OPEID# 006755
Assets													
Current assets:													
Cash:													
Cash and cash equivalents	$ 1,559	$ 2	$ -	$ 54,268	$ 22	$ (19)	$ 3	$ 9,100	$ 63,371	$ 708	$ 3,301	$ 1,609	$ 5,618
Restricted cash (a)	2,319	1,503	-	51,069	112	9	121	-	51,190	1,039	-	751	1,790
Total cash, cash equivalents and restricted cash	3,878	1,505	-	105,337	134	(10)	124	9,100	114,561	1,747	3,301	2,360	7,408
Receivables:													
Trade	4,457	933	-	99,976	5,746	5,144	10,890	852	111,718	863	199	1,202	2,264
Allowance for doubtful accounts	(3,185)	(575)	-	(42,985)	(3,626)	(3,303)	(6,929)	(1)	(49,915)	(489)	(103)	(628)	(1,220)
Notes, advances, and other receivables	(62)	41	-	2,885	79	90	169	-	3,054	-	8	18	26
Inventories	130	54	-	1,213	38	80	118	43	1,374	27	19	35	81
Deferred income taxes	1,141	223	-	15,763	1,311	1,345	2,656	43	18,462	239	60	282	581
Prepaid income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	2,974	-	-	5,675	2	134	136	507	6,318	5	-	-	5
Total current assets	9,333	2,181	-	187,864	3,684	3,480	7,164	10,544	205,572	2,392	3,484	3,269	9,145
Property and equipment, net	2,982	1,676	-	33,167	2,854	5,882	8,736	8,423	50,326	1,723	2,410	4,698	8,831
Investment in subsidiaries	-	-	(42,980)	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	1,098	381	(2,812)	-	127	-	127	-	127	184	1	-	185
Other long-term assets	266	27	-	1,159	846	466	1,312	8	2,479	45	41	73	159
Investment in affiliate	-	-	-	-	-	-	-	-	-	2,485	-	-	2,485
Receivable from related party	-	-	-	-	-	-	-	-	-	-	-	-	
Intangible assets, net of amortization	-	-	-	4,120	-	-	-	-	4,120	-	-	-	-
Goodwill	-	-	-	44,294	607	-	607	-	44,901	-	-	-	-
Total assets	$ 13,679	$ 4,265	$ (45,792)	$ 270,604	$ 8,118	$ 9,828	$ 17,946	$ 18,975	$ 307,525	$ 6,829	$ 5,936	$ 8,040	$ 20,805
Liabilities and shareholders' equity													
Current liabilities:													
Current portion of long-term debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving credit facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	261	13	-	2,244	113	80	193	688	3,125	34	19	81	134
Accrued liabilities	455	137	-	5,844	516	274	790	478	7,112	136	84	173	393
Advance payments	1,384	197	-	31,260	488	1,229	1,717	6	32,983	57	3	77	137
Unearned tuition	-	-	-	38,522	-	-	-	928	39,450	508	142	635	1,285
Total current liabilities	2,100	347	-	77,870	1,117	1,583	2,700	2,100	82,670	735	248	966	1,949
Long-term debt, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	(2,812)	9,506	-	345	345	170	10,021	-	390	86	476
Payable to affiliate	-	-	-	-	-	-	-	-	-	400	-	-	400
Other long-term liabilities	3,773	779	-	20,730	696	2,323	3,019	5,005	28,754	517	1,097	426	2,040
Shareholders' equity:									-				
Common stock, at par	-	-	(4)	11	50	-	50	-	61	-	-	-	-
Additional paid-in capital	4,125	-	(5,129)	60,249	12,002	-	12,002	-	72,251	13,393	-	-	13,393
Treasury stock, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	43,362	(762)	(58,368)	86,786	12,586	1,511	14,097	(6,093)	94,790	3,305	(3,422)	2,566	2,449
Payable to (receivable from) EDMC	(39,681)	3,901	20,521	15,452	(18,333)	4,066	(14,267)	17,793	18,978	(11,521)	7,623	3,996	98
Accumulated other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholders' equity	7,806	3,139	(42,980)	162,498	6,305	5,577	11,882	11,700	186,080	5,177	4,201	6,562	15,940
Total liabilities and shareholders' equity	$ 13,679	$ 4,265	$ (45,792)	$ 270,604	$ 8,118	$ 9,828	$ 17,946	$ 18,975	$ 307,525	$ 6,829	$ 5,936	$ 8,040	$ 20,805

Education Management
Corporation and Subsidiaries
Consolidating Balance Sheet
June 30, 2012
(in thousands)

	Corporate and Eliminations	EDMC
Assets		
Current assets:		
Cash:		
Cash and cash equivalents	$ (29,438)	$ 191,008
Restricted cash (a)	40,996	267,880
Total cash, cash equivalents and restricted cash	11,558	458,888
Receivables:		
Trade	59	428,998
Allowance for doubtful accounts	429	(225,657)
Notes, advances, and other receivables	3,306	22,174
Inventories	502	8,382
Deferred income taxes	9,980	102,668
Prepaid income taxes	6,796	6,796
Other current assets	26,301	40,399
Total current assets	58,931	842,648
Property and equipment, net	146,001	651,797
Investment in subsidiaries	-	-
Deferred income taxes	(42,194)	-
Other long-term assets	26,253	51,071
Investment in affiliate	(12,416)	-
Receivable from related party	(800)	-
Intangible assets, net of amortization	316,510	330,029
Goodwill	758,432	963,550
Total assets	$ 1,250,717	$ 2,839,095
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt	$ 11,850	$ 12,076
Revolving credit facility	111,300	111,300
Accounts payable	39,886	54,834
Accrued liabilities	86,999	137,348
Advance payments	9	102,170
Unearned tuition	80	116,277
Total current liabilities	250,124	534,005
Long-term debt, less current portion	1,453,234	1,453,468
Deferred income taxes	75,478	111,767
Payable to affiliate	(800)	-
Other long-term liabilities	68,877	243,291
Shareholders' equity:		
Common stock, at par	1,008	1,434
Additional paid-in capital	1,147,771	1,777,732
Treasury stock, at cost	(328,605)	(328,605)
(Accumulated deficit) retained earnings	(2,784,707)	(935,960)
Payable to (receivable from) EDMC	1,388,138	-
Accumulated other comprehensive (loss) income	(19,801)	(18,037)
Total shareholders' equity	(596,196)	496,564
Total liabilities and shareholders' equity	$ 1,250,717	$ 2,839,095

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	The Art Institute of Pittsburgh OPEID# 007470	The Art Institute of Philadelphia OPEID# 008350	The Art Institute of Colorado OPEID# 020789	The Art Institute of Phoenix	The Art Institutes International Kansas City	The Art Institute of Wisconsin	The Art Institute of Las Vegas	The Art Institute of Salt Lake City
Net revenues	$ 210,069	$ 58,998	$ 42,237	$ 25,343	$ 12,248	$ 8,354	$ 22,880	$ 12,395
Costs and expenses:								
Educational services	91,313	32,835	20,194	13,763	6,832	4,960	12,777	7,132
General and administrative	80,952	14,801	10,163	7,004	4,273	2,768	6,578	4,068
Long-lived asset impairments	–	–	–	–	–	–	–	–
Depreciation and amortization	5,309	4,249	1,232	609	1,116	1,140	1,264	904
Total costs and expenses	177,574	51,885	31,589	21,376	12,221	8,868	20,619	12,104
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	32,495	7,113	10,648	3,967	27	(514)	2,261	291
Interest expense, net	654	–	481	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	31,841	7,113	10,167	3,967	27	(514)	2,261	291
Income tax (benefit) expense	13,165	2,527	3,693	1,432	28	(190)	813	122
Net (loss) income	$ 18,676	$ 4,586	$ 6,474	$ 2,535	$ (1)	$ (324)	$ 1,448	$ 169
Composite Score	2.3	3.0	2.3	3.0	2.4	1.8	2.8	2.4

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	The Art Institute of Indianapolis	The Art Institute of Tucson TDC	The Art Institute of St. Louis	The Art Institute of Vancouver	Brown Mackie College - Dallas/ Ft Worth	Brown Mackie College - Cincinnati	Brown Mackie College - Akron	Brown Mackie College - Northern Kentucky	Brown Mackie College - Miami
Net revenues	$ 20,145	$ 9,685	$ 4,016	$ 26,205	$ 2,187	$ 16,899	$ 12,570	$ 8,740	$ 17,504
Costs and expenses:									
Educational services	9,787	5,007	3,124	17,253	2,026	9,840	7,494	5,742	10,356
General and administrative	6,008	2,885	2,376	6,263	2,923	6,502	3,981	2,447	5,219
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	1,372	1,044	699	2,522	469	1,248	1,385	452	1,604
Total costs and expenses	17,167	8,936	6,199	26,038	5,418	17,590	12,860	8,641	17,179
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	294	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	2,978	749	(2,183)	167	(3,231)	(397)	(290)	99	325
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	2,978	749	(2,183)	167	(3,231)	(397)	(290)	99	325
Income tax (benefit) expense	1,035	275	(786)	258	(1,101)	(175)	28	41	89
Net (loss) income	$ 1,943	$ 474	$ (1,397)	$ (91)	$ (2,130)	$ (222)	$ (318)	$ 58	$ 236
Composite Score	2.8	2.2	1.8	1.5	1.8	2.2	2.2	2.5	2.2

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	Brown Mackie College - Merrillville	Brown Mackie College - Quad Cities	Brown Mackie College - Michigan City	Brown Mackie College - Findlay	Brown Mackie College - Indianapolis	Brown Mackie College - Louisville	Brown Mackie College - Hopkinsville	Brown Mackie College - South Bend	Brown Mackie College - Ft Wayne
Net revenues	$ 9,585	$ 6,316	$ 5,007	$ 8,604	$ 17,979	$ 25,500	$ 4,407	$ 8,724	$ 14,336
Costs and expenses:									
Educational services	5,183	3,181	2,777	5,543	10,942	12,664	2,366	7,267	8,109
General and administrative	3,483	2,380	1,521	2,209	5,679	7,679	1,445	1,989	4,472
Long-lived asset impairments	–	–	–	(1)	–	–	–	–	–
Depreciation and amortization	632	503	579	711	975	1,073	239	1,231	1,158
Total costs and expenses	9,298	6,064	4,877	8,462	17,596	21,416	4,050	10,487	13,739
Earnings (loss) in investment in subsidiaries	–	–	–	147	–	–	–	147	–
(Loss) Income before interest, loss on debt refinancing and income taxes	287	252	130	289	383	4,084	357	(1,616)	597
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	287	252	130	289	383	4,084	357	(1,616)	597
Income tax (benefit) expense	97	74	61	64	87	1,446	118	(747)	210
Net (loss) income	$ 190	$ 178	$ 69	$ 225	$ 296	$ 2,638	$ 239	$ (869)	$ 387
Composite Score	2.7	2.8	2.7	2.7	2.3	2.1	3.0	1.8	2.5

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	Brown Mackie College - Boise	Brown Mackie College - Tulsa	Brown Mackie College - San Antonio	Brown Mackie College - Birmingham	Brown Mackie College - Tucson (Chaparral)	Brown Mackie College - Phoenix	Brown Mackie College - North Canton	Brown Mackie College - Greenville	Brown Mackie College - St. Louis
Net revenues	$ 6,620	$ 9,509	$ 10,292	$ 11,777	$ 11,849	$ 9,172	$ 9,475	$ 13,546	$ 8,741
Costs and expenses:									
Educational services	5,136	4,838	4,907	6,150	6,739	5,532	6,576	7,187	4,634
General and administrative	1,915	3,649	4,438	4,609	3,795	2,983	2,001	4,266	3,432
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	996	679	566	640	1,014	625	862	815	609
Total costs and expenses	8,047	9,166	9,911	11,399	11,548	9,140	9,439	12,268	8,675
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	(1,427)	343	381	378	301	32	36	1,278	66
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	(1,427)	343	381	378	301	32	36	1,278	66
Income tax (benefit) expense	(453)	119	174	143	105	6	22	511	168
Net (loss) income	$ (974)	$ 224	$ 207	$ 235	$ 196	$ 26	$ 14	$ 767	$ (102)
Composite Score	1.8	2.8	2.8	2.6	2.6	2.4	2.4	2.6	2.5

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	Brown Mackie College - Atlanta	Brown Mackie College - Albuquerque	Eliminations	The Art Institute of Phoenix Combined OPEID# 040513	The Art Institute of York - Pennsylvania OPEID# 025578	The Art Institute of Ft Lauderdale OPEID# 010195	The Art Institute of Houston	The Art Institute of Austin	The Art Institute of Houston North
Net revenues	$ 15,912	$ 12,140	$ –	$ 418,662	$ 15,083	$ 43,511	$ 45,355	$ 35,950	$ 9,323
Costs and expenses:									
Educational services	7,438	6,217	–	239,479	9,502	24,968	20,125	13,824	3,985
General and administrative	6,284	4,602	–	136,126	3,591	11,026	11,347	8,712	2,860
Long-lived asset impairments	–	–	–	(1)	–	–	–	–	–
Depreciation and amortization	791	646	–	31,172	583	1,927	1,790	1,812	407
Total costs and expenses	14,513	11,465	–	406,776	13,676	37,921	33,262	24,348	7,252
Earnings (loss) in investment in subsidiaries	–	–	(588)	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	1,399	675	(588)	11,886	1,407	5,590	12,093	11,602	2,071
Interest expense, net	–	–	–	–	–	168	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	1,399	675	(588)	11,886	1,407	5,422	12,093	11,602	2,071
Income tax (benefit) expense	483	238	–	4,795	524	3,089	4,400	4,188	755
Net (loss) income	$ 916	$ 437	$ (588)	$ 7,091	$ 883	$ 2,333	$ 7,693	$ 7,414	$ 1,316
						–			
Composite Score	2.4	2.5		2.7	2.8	3.0	2.0	2.0	3.0

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	The Art Institute of San Antonio	The Art Institute of Houston Combined OPEID# 021171	The Art Institutes International Minnesota OPEID# 010248	The New England Institute of Art OPEID# 007486	The Art Institute of New York City OPEID# 025256	The Art Institute of Portland OPEID# 007819	The Art Institute of Seattle OPEID# 022913	Miami International University of Art & Design	The Art Institute of Tampa	The Art Institute of Jacksonville
Net revenues	$ 21,364	$ 111,992	$ 29,485	$ 28,371	$ 36,384	$ 29,716	$ 35,975	$ 47,794	$ 20,152	$ 12,110
Costs and expenses:										
Educational services	8,124	46,058	17,128	22,359	23,734	16,116	20,448	21,559	10,296	7,827
General and administrative	5,351	28,270	7,824	5,373	10,802	7,134	10,027	10,051	6,948	3,769
Long-lived asset impairments	–	–	–	–	–	–	–	–	–	–
Depreciation and amortization	1,008	5,017	1,512	1,205	1,548	1,592	2,172	2,341	1,328	1,143
Total costs and expenses	14,483	79,345	26,464	28,937	36,084	24,842	32,647	33,951	18,572	12,739
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	6,881	32,647	3,021	(566)	300	4,874	3,328	13,843	1,580	(629)
Interest expense, net	–	–	–	–	–	–	311	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	6,881	32,647	3,021	(566)	300	4,874	3,017	13,843	1,580	(629)
Income tax (benefit) expense	2,473	11,816	1,172	(24)	118	1,805	123	4,909	612	(195)
Net (loss) income	$ 4,408	$ 20,831	$ 1,849	$ (542)	$ 182	$ 3,069	$ 2,894	$ 8,934	$ 968	$ (434)
Composite Score	2.4	2.2	2.4	2.2	2.3	2.5	2.7	2.2	2.9	1.9

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	Miami International University of Art & Design Combined OPEID# 008878	The Art Institute of Atlanta	The Art Institute of Tennessee - Nashville	The Art Institute of Charleston	The Art Institute of Washington	The Art Institute of Decatur	The Art Institute of Washington-Dulles	The Art Institute of Virginia Beach	The Art Institute of Atlanta Combined OPEID# 009270	The Illinois Institute of Art (Chicago)
Net revenues	$ 80,056	$ 62,262	$ 25,324	$ 15,636	$ 33,399	$ 10,984	$ 4,876	$ 13,706	$ 166,187	$ 47,843
Costs and expenses:										
Educational services	39,682	34,839	13,942	10,303	21,527	6,030	3,496	6,058	96,195	27,103
General and administrative	20,768	15,941	7,419	3,929	9,630	4,195	1,766	4,328	47,208	13,219
Long-lived asset impairments	–	–	–	–	–	–	–	–	–	–
Depreciation and amortization	4,812	1,841	1,776	1,357	1,903	648	524	838	8,887	3,215
Total costs and expenses	65,262	52,621	23,137	15,589	33,060	10,873	5,786	11,224	152,290	43,537
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	14,794	9,641	2,187	47	339	111	(910)	2,482	13,897	4,306
Interest expense, net	–	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	14,794	9,641	2,187	47	339	111	(910)	2,482	13,897	4,306
Income tax (benefit) expense	5,326	3,394	853	40	198	31	(322)	844	5,038	1,658
Net (loss) income	$ 9,468	$ 6,247	$ 1,334	$ 7	$ 141	$ 80	$ (588)	$ 1,638	$ 8,859	$ 2,648
Composite Score	2.6	2.8	2.4	2.3	2.3	2.5	1.8	2.1	2.8	2.6

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	The Illinois Institute of Art - Schaumburg	The Art Institute of Michigan	The Art Institute of Ohio - Cincinnati	The Art Institute of Michigan Troy	The Art Institute of Tinley Park	The Illinois Institute of Art (Chicago) Combined OPEID# 012584	Argosy University	Western State University - College of Law	The Art Institute of California- San Francisco
Net revenues	$ 27,128	$ 17,024	$ 20,544	$ 3,171	$ 5,129	$ 120,839	$ 350,461	$ 12,176	$ 33,158
Costs and expenses:									
Educational services	11,737	9,821	12,029	2,206	2,854	65,750	192,966	8,254	21,121
General and administrative	6,196	5,853	6,660	2,272	1,821	36,021	126,688	3,154	8,937
Long-lived asset impairments	–	–	–	–	–	–	1,230	–	–
Depreciation and amortization	1,299	1,327	895	367	448	7,551	14,906	523	2,043
Total costs and expenses	19,232	17,001	19,584	4,845	5,123	109,322	335,790	11,931	32,101
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	7,896	23	960	(1,674)	6	11,517	14,671	245	1,057
Interest expense, net	–	–	–	–	–	–	784	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	7,896	23	960	(1,674)	6	11,517	13,887	245	1,057
Income tax (benefit) expense	2,859	35	368	(618)	(5)	4,297	5,492	2,327	301
Net (loss) income	$ 5,037	$ (12)	$ 592	$ (1,056)	$ 11	$ 7,220	$ 8,395	$ (2,082)	$ 756
Composite Score	2.7	2.3	2.8	1.8	2.4	2.9	2.1	2.2	2.2

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	The Art Institute of California- Los Angeles	The Art Institute of California- Orange County	The Art Institute of California- Sacramento	The Art Institute of California- San Diego	The Art Institute of California- Inland Empire	The Art Institute of California- Hollywood	The Art Institute of California- Silicon Valley	Argosy University Combined OPEID# 021799-37	Argosy Professional Services Not Title IV Eligible
Net revenues	$ 44,741	$ 38,909	$ 25,702	$ 49,379	$ 52,433	$ 47,796	$ 14,222	$ 668,977	$ 7,816
Costs and expenses:									
Educational services	27,299	20,285	11,935	19,874	25,466	27,588	8,884	363,672	5,721
General and administrative	10,796	9,844	6,829	10,052	10,836	11,178	4,021	202,335	1,632
Long-lived asset impairments	-	-	–	–	–	–	–	1,230	-
Depreciation and amortization	1,584	1,686	1,562	1,561	3,939	2,486	1,203	31,493	197
Total costs and expenses	39,679	31,815	20,326	31,487	40,241	41,252	14,108	598,730	7,550
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	5,062	7,094	5,376	17,892	12,192	6,544	114	70,247	266
Interest expense, net	–	–	–	–	–	–	–	784	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	5,062	7,094	5,376	17,892	12,192	6,544	114	69,463	266
Income tax (benefit) expense	1,873	2,504	1,900	6,327	4,506	1,808	88	27,126	114
Net (loss) income	$ 3,189	$ 4,590	$ 3,476	$ 11,565	$ 7,686	$ 4,736	$ 26	$ 42,337	$ 152
Composite Score	2.2	2.7	2.7	2.6	3.0	2.6	2.5	2.7	

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	Argosy Education Group Consolidated	South University - Savannah	South University - Tampa	South University - West Palm Beach	South University - Montgomery	South University - Richmond	South University - Columbia	South University - Virginia Beach	South University - Novi
Net revenues	$ 676,793	$ 171,009	$ 20,104	$ 22,302	$ 14,412	$ 13,134	$ 36,226	$ 13,193	$ 6,382
Costs and expenses:									
Educational services	369,393	85,276	10,095	10,911	7,923	7,526	15,239	6,487	4,356
General and administrative	203,967	65,918	5,772	5,123	3,610	4,328	6,775	5,269	3,320
Long-lived asset impairments	1,230	–	–	–	–	–	–	–	–
Depreciation and amortization	31,690	5,761	828	946	589	685	1,743	564	494
Total costs and expenses	606,280	156,955	16,695	16,980	12,122	12,539	23,757	12,320	8,170
Earnings (loss) in investment in subsidiaries	–	12,784	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	70,513	26,838	3,409	5,322	2,290	595	12,469	873	(1,788)
Interest expense, net	784	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	69,729	26,838	3,409	5,322	2,290	595	12,469	873	(1,788)
Income tax (benefit) expense	27,240	5,113	1,186	1,826	837	159	4,756	286	(646)
Net (loss) income	$ 42,489	$ 21,725	$ 2,223	$ 3,496	$ 1,453	$ 436	$ 7,713	$ 587	$ (1,142)
Composite Score	2.6	3.0	2.7	2.4	3.0	2.9	2.9	3.0	1.8

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	South University - Austin	South University - Cleveland	South University - Highpoint	The Art Institute of Dallas	The Art Institute of Fort Worth	The Art Institute of Charlotte	The Art Institute of Raleigh - Durham	South University Reclass and Elims	South University Consolidated OPEID# 013039
Net revenues	$ 2,677	$ 2,552	$ 1,265	$ 35,110	$ 8,834	$ 31,335	$ 19,861	$ –	$ 398,396
Costs and expenses:									
Educational services	3,743	3,369	2,204	19,111	3,915	18,108	12,538	–	210,801
General and administrative	2,721	2,907	1,992	11,216	3,497	8,585	5,323	–	136,356
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	550	479	251	1,597	402	1,355	896	–	17,140
Total costs and expenses	7,014	6,755	4,447	31,924	7,814	28,048	18,757	–	364,297
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	(12,784)	–
(Loss) Income before interest, loss on debt refinancing and income taxes	(4,337)	(4,203)	(3,182)	3,186	1,020	3,287	1,104	(12,784)	34,099
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	(4,337)	(4,203)	(3,182)	3,186	1,020	3,287	1,104	(12,784)	34,099
Income tax (benefit) expense	(1,548)	(1,405)	(1,279)	1,130	395	1,141	423	–	12,374
Net (loss) income	$ (2,789)	$ (2,798)	$ (1,903)	$ 2,056	$ 625	$ 2,146	$ 681	$ (12,784)	$ 21,725
Composite Score	1.8	1.8	1.8	2.0	3.0	3.0	2.3		2.5

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2013
(in thousands)

	Brown Mackie College - Salina	Brown Mackie College- Oklahoma City	Brown Mackie College - Kansas City	Brown Mackie Education Corporation OPEID# 006755	Corporate & Eliminations	EDMC
Net revenues	$ 8,210	$ 3,977	$ 8,850	$ 21,037	$ (25,192)	$ 2,498,599
Costs and expenses:						
Educational services	5,455	2,621	4,939	13,015	88,127	1,447,097
General and administrative	2,188	2,203	3,083	7,474	(88,740)	689,143
Long-lived asset impairments	–	–	–	–	322,461	323,690
Depreciation and amortization	369	420	773	1,562	35,552	164,712
Total costs and expenses	8,012	5,244	8,795	22,051	357,400	2,624,642
Earnings (loss) in investment in subsidiaries	147	–	–	147	(147)	–
(Loss) Income before interest, loss on debt refinancing and income taxes	345	(1,267)	55	(867)	(382,739)	(126,043)
Interest expense, net	–	–	–	–	122,265	124,663
Loss on debt refinancing	–	–	–		5,232	5,232
(Loss) Income before income taxes	345	(1,267)	55	(867)	(510,236)	(255,938)
Income tax (benefit) expense	84	(478)	32	(362)	(84,678)	12,038
Net (loss) income	$ 261	$ (789)	$ 23	$ (505)	$ (425,558)	$ (267,976)
Composite Score	2.8	1.8	2.5	2.0		(1.0)

Education Management Corporation and Subsidiaries
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	The Art Institute of Pittsburgh OPEID# 007470	The Art Institute of Philadelphia OPEID# 008350	The Art Institute of Colorado OPEID# 020789	The Art Institute of Phoenix	The Art Institutes International Kansas City	The Art Institute of Wisconsin	The Art Institute of Las Vegas	The Art Institute of Salt Lake City	The Art Institute of Indianapolis
Net revenues	$ 239,374	$ 69,591	$ 45,572	$ 30,227	$ 13,665	$ 5,868	$ 26,419	$ 15,112	$ 24,691
Costs and expenses:									
Educational services	103,000	38,521	21,987	14,791	6,569	3,518	15,072	7,369	10,638
General and administrative	91,501	15,638	10,195	7,051	5,551	2,347	6,593	4,312	6,329
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	5,608	3,476	1,713	662	1,094	913	1,259	886	1,417
Total costs and expenses	200,109	57,635	33,895	22,504	13,214	6,778	22,924	12,567	18,384
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	39,265	11,956	11,677	7,723	451	(910)	3,495	2,545	6,307
Interest expense, net	691	–	510	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	38,574	11,956	11,167	7,723	451	(910)	3,495	2,545	6,307
Income tax (benefit) expense	14,569	4,360	4,006	2,725	177	(319)	725	910	2,178
Net (loss) income	$ 24,005	$ 7,596	$ 7,161	$ 4,998	$ 274	$ (591)	$ 2,770	$ 1,635	$ 4,129
Composite Score	2.6	3.0	2.9	3.0	2.6	1.8	2.8	2.7	2.4

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2012
(in thousands)

	The Art Institute of Tucson TDC	Brown Mackie College - Cincinnati	Brown Mackie College - Akron	Brown Mackie College - Northern Kentucky	Brown Mackie College - Miami	Brown Mackie College - Merrillville	Brown Mackie College - Quad Cities	Brown Mackie College - Michigan City	Brown Mackie College - Findlay
Net revenues	$ 10,757	$ 21,900	$ 16,012	$ 12,015	$ 18,066	$ 9,776	$ 5,910	$ 5,956	$ 11,851
Costs and expenses:									
Educational services	4,998	11,473	8,179	6,488	2,899	5,566	3,069	3,277	6,584
General and administrative	3,786	7,440	4,895	3,721	5,657	3,711	2,257	1,880	3,410
Long-lived asset impairments	–	41,622	–	–	–	20,587	–	–	9,460
Depreciation and amortization	1,012	1,238	919	419	4,479	352	497	271	909
Total costs and expenses	9,796	61,773	13,993	10,628	13,035	30,216	5,823	5,428	20,363
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	961	(39,873)	2,019	1,387	5,031	(20,440)	87	528	(8,512)
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	961	(39,873)	2,019	1,387	5,031	(20,440)	87	528	(8,512)
Income tax (benefit) expense	341	(14,454)	700	567	1,685	(7,699)	76	161	(3,037)
Net (loss) income	$ 620	$ (25,419)	$ 1,319	$ 820	$ 3,346	$ (12,741)	$ 11	$ 367	$ (5,475)
Composite Score	1.8	1.8	2.5	3.0	3.0	1.8	2.6	2.6	1.8

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2012
(in thousands)

	Brown Mackie College - Indianapolis	Brown Mackie College - Louisville	Brown Mackie College - Hopkinsville	Brown Mackie College - South Bend	Brown Mackie College - Ft Wayne	Brown Mackie College - Boise	Brown Mackie College - Tulsa	Brown Mackie College - San Antonio	Brown Mackie College - Birmingham
Net revenues	$ 20,438	$ 28,885	$ 4,387	$ 13,101	$ 19,918	$ 9,007	$ 7,275	$ 6,747	$ 6,252
Costs and expenses:									
Educational services	11,522	12,705	2,096	8,172	9,338	5,935	4,078	3,610	3,331
General and administrative	6,432	8,069	1,481	3,842	5,418	2,025	2,583	2,656	2,494
Long-lived asset impairments	–	1,577	–	24,235	–	–	–	–	–
Depreciation and amortization	826	1,139	241	874	1,161	1,036	543	552	603
Total costs and expenses	18,780	23,490	3,818	37,123	15,917	8,996	7,204	6,818	6,428
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	1,658	5,395	569	(24,022)	4,001	11	71	(71)	(176)
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	1,658	5,395	569	(24,022)	4,001	11	71	(71)	(176)
Income tax (benefit) expense	584	2,000	164	(8,890)	1,382	35	10	15	15
Net (loss) income	$ 1,074	$ 3,395	$ 405	$ (15,132)	$ 2,619	$ (24)	$ 61	$ (86)	$ (191)
Composite Score	2.1	2.3	3.0	1.8	3.0	2.4	2.5	2.3	2.1

Education Management Corporation and Subsidiaries
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For the Fiscal Year Ended June 30, 2012
(in thousands)

	Brown Mackie College - Tucson (Chaparral)	Brown Mackie College - Phoenix	Brown Mackie College - North Canton	Brown Mackie College - Greenville	Brown Mackie College - St. Louis	Brown Mackie College - Atlanta	Brown Mackie College - Albuquerque	Brown Mackie Eliminations	The Art Institute of Phoenix Combined
									OPEID# 040513
Net revenues	$ 12,071	$ 8,174	$ 12,371	$ 13,456	$ 7,244	$ 15,520	$ 9,658	$ –	$ 422,729
Costs and expenses:									
Educational services	6,991	4,865	7,116	6,510	3,999	7,200	5,146	–	213,104
General and administrative	3,801	2,917	3,896	4,566	2,753	6,352	3,713	–	131,938
Long-lived asset impairments	6,567	–	328	–	–	910	–	–	105,286
Depreciation and amortization	1,097	629	888	802	591	817	610	–	28,736
Total costs and expenses	18,456	8,411	12,228	11,878	7,343	15,279	9,469	–	479,064
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	
(Loss) Income before interest, loss on debt refinancing and income taxes	(6,385)	(237)	143	1,578	(99)	241	189	–	(56,335)
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	(6,385)	(237)	143	1,578	(99)	241	189	–	(56,335)
Income tax (benefit) expense	(2,225)	(82)	70	632	(115)	80	158	–	(21,431)
Net (loss) income	$ (4,160)	$ (155)	$ 73	$ 946	$ 16	$ 161	$ 31	$ –	$ (34,904)
Composite Score	1.8	2.1	2.4	2.7	2.3	2.6	2.6	0.3	1.8

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
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(in thousands)

	The Art Institute of York - Pennsylvania	The Art Institute of Ft Lauderdale	The Art Institute of Houston	The Art Institute of Austin	The Art Institute of Houston North	The Art Institute of San Antonio	The Art Institute of Houston Combined	The Art Institutes International Minnesota	The New England Institute of Art
	OPEID# 025578	OPEID# 010195					OPEID# 021171	OPEID# 010248	OPEID# 007486
Net revenues	$ 16,755	$ 49,732	$ 51,485	$ 38,521	$ 8,864	$ 15,930	$ 114,800	$ 37,024	$ 36,131
Costs and expenses:									
Educational services	9,585	26,423	22,085	13,945	3,858	6,091	45,979	19,024	26,305
General and administrative	3,693	11,373	11,216	8,308	3,195	5,063	27,782	8,414	7,332
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	663	2,083	1,742	1,554	449	872	4,617	1,445	2,280
Total costs and expenses	13,941	39,879	35,043	23,807	7,502	12,026	78,378	28,883	35,917
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	2,814	9,853	16,442	14,714	1,362	3,904	36,422	8,141	214
Interest expense, net	–	181	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–		–	–
(Loss) Income before income taxes	2,814	9,672	16,442	14,714	1,362	3,904	36,422	8,141	214
Income tax (benefit) expense	1,007	3,454	5,900	5,248	503	1,446	13,097	2,943	163
Net (loss) income	$ 1,807	$ 6,218	$ 10,542	$ 9,466	$ 859	$ 2,458	$ 23,325	$ 5,198	$ 51
		–							
Composite Score	2.8	2.9	2.0	2.0	2.7	2.7	2.2	2.5	2.5

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2012
(in thousands)

	The Art Institute of New York City OPEID# 025256	The Art Institute of Portland OPEID# 007819	The Art Institute of Seattle OPEID# 022913	Miami International University of Art & Design	The Art Institute of Tampa	The Art Institute of Jacksonville	Miami International University of Art & Design Combined OPEID# 008878	The Art Institute of Atlanta	The Art Institute of Tennessee - Nashville
Net revenues	$ 43,978	$ 33,020	$ 41,678	$ 52,827	$ 26,116	$ 13,534	$ 92,477	$ 74,453	$ 27,313
Costs and expenses:									
Educational services	26,382	17,348	22,077	23,106	12,179	8,363	43,648	37,725	12,483
General and administrative	15,381	7,232	10,019	9,829	7,173	3,964	20,966	16,090	7,394
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	1,555	1,626	2,659	2,205	1,366	1,177	4,748	1,885	1,795
Total costs and expenses	43,318	26,206	34,755	35,140	20,718	13,504	69,362	55,700	21,672
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	660	6,814	6,923	17,687	5,398	30	23,115	18,753	5,641
Interest expense, net	–	–	335	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	660	6,814	6,588	17,687	5,398	30	23,115	18,753	5,641
Income tax (benefit) expense	220	2,503	2,461	6,269	1,905	62	8,236	6,510	2,264
Net (loss) income	$ 440	$ 4,311	$ 4,127	$ 11,418	$ 3,493	$ (32)	$ 14,879	$ 12,243	$ 3,377
Composite Score	2.3	2.2	3.0	2.2	2.8	2.4	2.6	2.7	2.3

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2012
(in thousands)

	The Art Institute of Charleston	The Art Institute of Washington	The Art Institute of Decatur	The Art Institute of Washington-Dulles	The Art Institute of Virginia Beach	The Art Institute of Atlanta Combined OPEID# 009270	The Illinois Institute of Art (Chicago)	The Illinois Institute of Art - Schaumburg	The Art Institute of Michigan
Net revenues	$ 20,087	$ 46,682	$ 12,117	$ 5,355	$ 12,150	$ 198,157	$ 60,513	$ 31,018	$ 19,595
Costs and expenses:									
Educational services	10,875	26,135	6,716	3,445	5,269	102,648	30,425	12,609	10,148
General and administrative	5,464	11,246	4,464	1,912	5,036	51,606	14,387	6,448	7,922
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	1,259	2,047	642	560	826	9,014	3,285	1,464	1,214
Total costs and expenses	17,598	39,428	11,822	5,917	11,131	163,268	48,097	20,521	19,284
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	2,489	7,254	295	(562)	1,019	34,889	12,416	10,497	311
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	2,489	7,254	295	(562)	1,019	34,889	12,416	10,497	311
Income tax (benefit) expense	934	2,897	100	(225)	339	12,819	4,497	3,758	(72)
Net (loss) income	$ 1,555	$ 4,357	$ 195	$ (337)	$ 680	$ 22,070	$ 7,919	$ 6,739	$ 383
Composite Score	2.3	2.5	2.6	1.8	2.3	2.6	2.5	2.6	2.6

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2012
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	The Art Institute of Ohio - Cincinnati	The Art Institute of Michigan Troy	The Art Institute of Tinley Park	The Illinois Institute of Art (Chicago) Combined OPEID# 012584	The Art Institute of Vancouver	Argosy University	Western State University - College of Law	The Art Institute of California- San Francisco	The Art Institute of California- Los Angeles
Net revenues	$ 19,326	$ 1,203	$ 3,238	$ 134,893	$ 27,998	$ 391,035	$ 12,250	$ 36,111	$ 51,302
Costs and expenses:									
Educational services	11,016	1,692	2,280	68,170	17,700	205,630	8,947	21,372	28,761
General and administrative	6,527	2,409	1,634	39,327	7,070	140,034	2,411	8,909	11,056
Long-lived asset impairments	–	–	–	–	–	2,630	–	–	-
Depreciation and amortization	900	182	452	7,497	2,674	14,613	734	2,074	1,607
Total costs and expenses	18,443	4,283	4,366	114,994	27,444	362,907	12,092	32,355	41,424
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	423	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	883	(3,080)	(1,128)	19,899	554	28,551	158	3,756	9,878
Interest expense, net	–	–	–	–	–	789	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	883	(3,080)	(1,128)	19,899	554	27,762	158	3,756	9,878
Income tax (benefit) expense	333	(1,100)	(401)	7,015	1,362	13,100	(104)	1,344	3,574
Net (loss) income	$ 550	$ (1,980)	$ (727)	$ 12,884	$ (808)	$ 14,662	$ 262	$ 2,412	$ 6,304
Composite Score	2.6	1.8	1.8	2.8	2.3	3.0	2.5	2.3	2.5

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2012
(in thousands)

	The Art Institute of California- Orange County	The Art Institute of California- Sacramento	The Art Institute of California- San Diego	The Art Institute of California- Inland Empire	The Art Institute of California- Hollywood	The Art Institute of California- Silicon Valley	Argosy University Combined	Argosy Professional Services	Argosy Eliminations
							OPEID# 021799-37	Not Title IV Eligible	
Net revenues	$ 45,476	$ 27,174	$ 54,202	$ 52,400	$ 49,845	$ 17,379	$ 737,174	$ 8,558	$ –
Costs and expenses:									
Educational services	22,823	11,934	22,454	25,193	26,712	9,583	383,409	6,070	–
General and administrative	10,331	6,587	9,698	9,823	10,669	4,366	213,884	1,598	–
Long-lived asset impairments	-	–	–	–	–	–	2,630	-	–
Depreciation and amortization	1,757	1,413	1,732	3,152	2,386	1,157	30,625	157	–
Total costs and expenses	34,911	19,934	33,884	38,168	39,767	15,106	630,548	7,825	–
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–	423	–	(423)
(Loss) Income before interest, loss on debt refinancing and income taxes	10,565	7,240	20,318	14,232	10,078	2,273	107,049	733	(423)
Interest expense, net	–	–	–	–	–	–	789	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	10,565	7,240	20,318	14,232	10,078	2,273	106,260	733	(423)
Income tax (benefit) expense	3,645	2,560	7,181	4,732	3,006	808	39,846	309	–
Net (loss) income	$ 6,920	$ 4,680	$ 13,137	$ 9,500	$ 7,072	$ 1,465	$ 66,414	$ 424	$ (423)
Composite Score	2.7	2.7	2.3	3.0	2.6	2.9	3.0	0.2	

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
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	Argosy Education Group Consolidated	South University - Savannah	South University - Tampa	South University - West Palm Beach	South University - Montgomery	South University - Richmond	South University - Columbia	South University - Virginia Beach	South University - Novi
Net revenues	$ 745,732	$ 208,208	$ 17,261	$ 19,757	$ 13,891	$ 10,936	$ 32,323	$ 7,455	$ 3,062
Costs and expenses:									
Educational services	389,479	107,768	8,401	8,880	7,332	5,733	14,021	4,434	3,293
General and administrative	215,482	107,355	5,068	4,529	3,211	3,180	5,517	2,383	2,805
Long-lived asset impairments	2,630	–	–	–	–	–	–	–	–
Depreciation and amortization	30,782	6,421	757	863	595	581	1,782	553	488
Total costs and expenses	638,373	221,544	14,226	14,272	11,138	9,494	21,320	7,370	6,586
Earnings (loss) in investment in subsidiaries	–	17,731	–	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	107,359	4,395	3,035	5,485	2,753	1,442	11,003	85	(3,524)
Interest expense, net	789	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	106,570	4,395	3,035	5,485	2,753	1,442	11,003	85	(3,524)
Income tax (benefit) expense	40,155	(4,551)	1,008	1,944	1,113	551	4,227	46	(1,226)
Net (loss) income	$ 66,415	$ 8,946	$ 2,027	$ 3,541	$ 1,640	$ 891	$ 6,776	$ 39	$ (2,298)
Composite Score	2.7	2.6	3.0	2.8	3.0	2.9	3.0	2.5	1.8

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
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	The Art Institute of Dallas	The Art Institute of Forth Worth	South University Reclass and Elims	South University Combined	The Art Institute of Charlotte	The Art Institute of Raleigh - Durham	The Art Institute of Charlotte Combined	South Univeristy Corp	South University Consolidated
				OPEID# 013039			OPEID# 021105		
Net revenues	$ 41,030	$ 8,377	$ –	$ 362,300	$ 31,719	$ 23,609	$ 55,328	$ 5	$ 417,633
Costs and expenses:									
Educational services	21,440	3,703	–	185,005	16,678	13,450	30,128	3,647	218,780
General and administrative	11,002	3,111	–	148,161	7,900	5,436	13,336	4,095	165,592
Long-lived asset impairments	–	–	–	–	–	–	–	–	–
Depreciation and amortization	1,654	414	–	14,108	1,329	849	2,178	233	16,519
Total costs and expenses	34,096	7,228	–	347,274	25,907	19,735	45,642	7,975	400,891
Earnings (loss) in investment in subsidiaries	–	–	(17,731)	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	6,934	1,149	(17,731)	15,026	5,812	3,874	9,686	(7,970)	16,742
Interest expense, net	–	–	–	–	–	–	–	–	–
Loss on debt refinancing	–	–	–	–	–	–	–	–	–
(Loss) Income before income taxes	6,934	1,149	(17,731)	15,026	5,812	3,874	9,686	(7,970)	16,742
Income tax (benefit) expense	2,548	420	–	6,080	1,853	1,545	3,398	(2,910)	6,568
Net (loss) income	$ 4,386	$ 729	$ (17,731)	$ 8,946	$ 3,959	$ 2,329	$ 6,288	$ (5,060)	$ 10,174
Composite Score	2.9	3.0	-	2.8	2.7	2.0	2.4	2.1	2.8

Education Management Corporation and Subsidiaries
Consolidating Statement of Operations
For the Fiscal Year Ended June 30, 2012
(in thousands)

	Brown Mackie College - Salina	Brown Mackie College- Oklahoma City	Brown Mackie College - Kansas City	Brown Mackie Education Corporation OPEID# 006755	Corporate & Eliminations	EDMC
Net revenues	$ 8,472	$ 1,502	$ 8,891	$ 18,865	$ (25,172)	$ 2,760,967
Costs and expenses:						
Educational services	5,408	1,892	5,095	12,395	79,801	1,502,356
General and administrative	2,353	2,212	3,053	7,618	(85,296)	762,863
Long-lived asset impairments	1,450	–	–	1,450	1,637,399	1,746,765
Depreciation and amortization	413	416	678	1,507	29,461	158,663
Total costs and expenses	9,624	4,520	8,826	22,970	1,661,365	4,170,647
Earnings (loss) in investment in subsidiaries	–	–	–	–	–	–
(Loss) Income before interest, loss on debt refinancing and income taxes	(1,152)	(3,018)	65	(4,105)	(1,686,537)	(1,409,680)
Interest expense, net	–	–	–	–	107,824	110,330
Loss on debt refinancing	–	–	–	–	9,474	9,474
(Loss) Income before income taxes	(1,152)	(3,018)	65	(4,105)	(1,803,835)	(1,529,484)
Income tax (benefit) expense	(344)	(1,062)	59	(1,347)	(115,903)	(13,743)
Net (loss) income	$ (808)	$ (1,956)	$ 6	$ (2,758)	$ (1,687,932)	$ (1,515,741)
Composite Score	1.8	1.8	2.5	1.8		(1.0)

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2013

	EDMC Total		Ai Atlanta 009270-00		Ai Colorado 020789-00		Ai Fort Lauderdale 010195-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 486,606,160	$ 486,606,160	$ 26,451,016	$ 26,451,016	$ 6,730,050	$ 6,730,050	$ 7,991,256	$ 7,991,256
Unsubsidized Stafford	844,747,854	844,747,854	34,170,390	34,170,390	9,211,977	9,211,977	10,445,875	10,445,875
Federal Pell Grant	397,616,972	397,616,972	22,118,896	22,118,896	4,648,657	4,648,657	6,136,082	6,136,082
FSEOG	15,676,161	15,676,161	1,235,208	1,235,208	233,812	233,812	344,962	344,962
Federal Work Study Applied to Tuition and Fees	-	-	-	-	-	-	-	-
Federal ACG Grant	-	-	-	-	-	-	-	-
Federal SMART Grant	-	-	-	-	-	-	-	-
PLUS Loan	200,629,050	200,629,050	23,193,762	23,193,762	4,027,724	4,027,724	4,333,093	4,333,093
Grad PLUS Loan	56,085,746	56,085,746	-	-	-	-	-	-
Perkins Loan	7,293,825	7,293,825	733,662	733,662	1,205,658	1,205,658	1,080,952	1,080,952
Student Title IV Revenue		**2,008,655,768**		**107,902,934**		**26,057,878**		**30,332,220**
Revenue Adjustment		(240,656,854)		(4,728,774)		(1,196,266)		(995,994)
Adjusted Student Title IV Revenue		**$ 1,767,998,914**		**$ 103,174,160**		**$ 24,861,612**		**$ 29,336,226**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the institution	$ 44,874,249	$ -	$ 3,472,817	$ -	$ 458,169	$ -	$ 878,963	$ -
Funds provided for the student under a contractual arrangement with a federal, state or local government agency for the purpose of providing job training to low-income individuals	3,855,985	-	15,110	-	2,750	-	-	-
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	1,867,643	-	162,746	-	-	-	233,163	-
Institutional scholarships disbursed to the student	-	-	-	-	-	-	-	-
Amount of unsubsidized loan over the pre-ECASLA loan limits	-	-	-	-	-	-	-	-
Student payments	490,203,722	-	40,429,725	-	13,633,160	-	10,553,276	-
Tuition assistance funds for employees of related institutions	11,631,965	-	212,714	-	24,257	-	40,465	-
Student Non-Title IV Revenue	**$ 552,433,564**	-	**$ 44,293,112**	-	**$ 14,118,336**	-	**$ 11,705,867**	-
Revenue From Other Sources (Totals for the Fiscal Year)	-	-	-	-	-	-	-	-
Activities conducted by the institution that are necessary for education and training	-	-	-	-	-	-	-	-
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-	-	-	-	-	-	-	-
The Net Present Value (NPV) of institutional loans disbursed to students	-	-	-	-	-	-	-	-
Revenue from Other Sources	-	-	-	-	-	-	-	-

	EDMC Total	Ai Atlanta 009270-00	Ai Colorado 020789-00	Ai Fort Lauderdale 010195-00
Numerator	$ 1,767,998,914	$ 103,174,160	$ 24,861,612	$ 29,336,226
Denominator	$ 2,320,432,478	$ 147,467,272	$ 38,979,948	$ 41,042,093
Rate	76%	70%	64%	71%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2013

	Ai Houston 021171-00		Ai Minnesota 010248-00		Ai Miami 008878-00		Ai New England 007486-00		Ai New York 025256-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue										
Subsidized Stafford	$ 18,220,142	$ 18,220,142	$ 5,476,835	$ 5,476,835	$ 12,309,962	$ 12,309,962	$ 3,741,931	$ 3,741,931	$ 5,718,362	$ 5,718,362
Unsubsidized Stafford	24,219,666	24,219,666	6,552,033	6,552,033	15,512,415	15,512,415	3,856,715	3,856,715	6,709,820	6,709,820
Federal Pell Grant	13,720,141	13,720,141	3,328,913	3,328,913	9,165,526	9,165,526	2,412,850	2,412,850	5,186,737	5,186,737
FSEOG	497,347	497,347	198,154	198,154	496,779	496,779	155,493	155,493	243,786	243,786
Federal Work Study Applied to Tuition and Fees	-	-	-	-	-	-	-	-	-	-
Federal ACG Grant	-	-	-	-	-	-	-	-	-	-
Federal SMART Grant	-	-	-	-	-	-	-	-	-	-
PLUS Loan	13,231,462	13,231,462	3,470,466	3,470,466	12,331,671	12,331,671	6,134,418	6,134,418	7,690,842	7,690,842
Grad PLUS Loan	-	-	-	-	163,411	163,411	-	-	-	-
Perkins Loan	1,419,643	1,419,643	-	-	-	-	-	-	-	-
Student Title IV Revenue		**71,308,401**		**19,026,401**		**49,979,764**		**16,301,407**		**25,549,547**
Revenue Adjustment		(2,718,459)		(915,933)		(3,759,550)		(671,156)		(1,684,905)
Adjusted Student Title IV Revenue		**$ 68,589,942**		**$ 18,110,468**		**$ 46,220,214**		**$ 15,630,251**		**$ 23,864,642**
Student Non-Title IV Revenue										
Grant funds for the student from non-federal public agencies or private sources independent of the institution	$ 420,672	$ -	$ 1,582,268	$ -	$ 1,571,211	$ -	$ 106,389	$ -	$ 1,888,340	$ -
Funds provided for the student under a contractual arrangement with a federal, state or local government agency for the purpose of providing job training to low-income individuals	20,548	-	127,602	-	-	-	-	-	19,065	-
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	85,311	-	-	-	389,662	-	-	-	-	-
Institutional scholarships disbursed to the student	-	-	-	-	-	-	-	-	-	-
Amount of unsubsidized loan over the pre-ECASLA loan limits	-	-	-	-	-	-	-	-	-	-
Student payments	32,581,699	-	7,666,300	-	26,638,467	-	7,746,010	-	6,821,268	-
Tuition assistance funds for employees of related institutions	24,612	-	32,758	-	222,456	-	25,123	-	72,660	-
Student Non-Title IV Revenue	**$ 33,132,842**	**-**	**$ 9,408,928**	**-**	**$ 28,821,796**	**-**	**$ 7,877,522**	**-**	**$ 8,801,333**	**-**
Revenue From Other Sources (Totals for the Fiscal Year)	-	-	-	-	-	-	-	-	-	-
Activities conducted by the institution that are necessary for education and training	-	-	-	-	-	-	-	-	-	-
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-	-	-	-	-	-	-	-	-	-
The Net Present Value (NPV) of institutional loans disbursed to students	-	-	-	-	-	-	-	-	-	-
Revenue from Other Sources	-	-	-	-	-	-	-	-	-	-

	Ai Houston 021171-00	Ai Minnesota 010248-00	Ai Miami 008878-00	Ai New England 007486-00	Ai New York 025256-00
Numerator	$ 68,589,942	$ 18,110,468	$ 46,220,214	$ 15,630,251	$ 23,864,642
Denominator	$ 101,722,784	$ 27,519,396	$ 75,042,010	$ 23,507,773	$ 32,665,975
Rate	67%	66%	62%	66%	73%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2013

	Ai Pittsburgh 007470-00		Ai Portland 007819-00		Ai Philadelphia 008350-00		Ai Seattle 022913-00		Ai York 025578-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue										
Subsidized Stafford	$ 49,750,128	$ 49,750,128	$ 5,330,184	$ 5,330,184	$ 10,728,258	$ 10,728,258	$ 4,974,952	$ 4,974,952	$ 2,671,700	$ 2,671,700
Unsubsidized Stafford	69,340,735	69,340,735	7,149,357	7,149,357	13,574,472	13,574,472	6,276,772	6,276,772	2,582,756	2,582,756
Federal Pell Grant	32,833,305	32,833,305	3,852,221	3,852,221	7,161,504	7,161,504	3,257,698	3,257,698	1,376,099	1,376,099
FSEOG	1,839,401	1,839,401	179,842	179,842	400,131	400,131	229,916	229,916	81,553	81,553
Federal Work Study Applied to Tuition and Fees	-	-	-	-	-	-	-	-	-	-
Federal ACG Grant	-	-	-	-	-	-	-	-	-	-
Federal SMART Grant	-	-	-	-	-	-	-	-	-	-
PLUS Loan	10,166,042	10,166,042	4,119,688	4,119,688	8,119,500	8,119,500	5,580,421	5,580,421	4,322,468	4,322,468
Grad PLUS Loan	-	-	-	-	-	-	-	-	-	-
Perkins Loan	481,040	481,040	-	-	558,318	558,318	595,168	595,168	-	-
Student Title IV Revenue		**164,410,651**		**20,631,292**		**40,542,183**		**20,914,927**		**11,034,576**
Revenue Adjustment		(10,984,111)		(1,280,799)		(2,303,991)		(1,924,119)		(562,655)
Adjusted Student Title IV Revenue		**$ 153,426,540**		**$ 19,350,493**		**$ 38,238,192**		**$ 18,990,808**		**$ 10,471,921**
Student Non-Title IV Revenue										
Grant funds for the student from non-federal public agencies or private sources independent of the institution	$ 2,478,971	$ -	$ 1,250	$ -	$ 1,515,091	$ -	$ 640,347	$ -	$ 1,081,825	$ -
Funds provided for the student under a contractual arrangement with a federal, state or local government agency for the purpose of providing job training to low-income individuals	85,797	-	72,714	-	10,209	-	119,921	-	-	-
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	47,370	-	39,662	-	-	-	140,789	-	79,375	-
Institutional scholarships disbursed to the student	-	-	-	-	-	-	-	-	-	-
Amount of unsubsidized loan over the pre-ECASLA loan limits	-	-	-	-	-	-	-	-	-	-
Student payments	34,593,929	-	7,749,373	-	13,274,387	-	13,971,379	-	2,541,681	-
Tuition assistance funds for employees of related institutions	546,475	-	61,894	-	-	-	40,740	-	-	-
Student Non-Title IV Revenue	**$ 37,752,542**	-	**$ 7,924,893**	-	**$ 14,799,687**	-	**$ 14,913,176**	-	**$ 3,702,881**	-
Revenue From Other Sources (Totals for the Fiscal Year)	-	-	-	-	-	-	-	-	-	-
Activities conducted by the institution that are necessary for education and training	-	-	-	-	-	-	-	-	-	-
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-	-	-	-	-	-	-	-	-	-
The Net Present Value (NPV) of institutional loans disbursed to students	-	-	-	-	-	-	-	-	-	-
Revenue from Other Sources	-	-	-	-	-	-	-	-	-	-

	Ai Pittsburgh 007470-00	Ai Portland 007819-00	Ai Philadelphia 008350-00	Ai Seattle 022913-00	Ai York 025578-00
Numerator	$ 153,426,540	$ 19,350,493	$ 38,238,192	$ 18,990,808	$ 10,471,921
Denominator	$ 191,179,082	$ 27,275,386	$ 53,037,879	$ 33,903,984	$ 14,174,802
Rate	80%	71%	72%	56%	74%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2013

	Ai Chicago 012584-00		Ai Phoenix 040513-00		BMC Salina 006755-00		South 013039-00		Argosy 021799-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue										
Subsidized Stafford	$ 22,019,850	$ 22,019,850	$ 92,258,156	$ 92,258,156	$ 4,936,991	$ 4,936,991	$ 73,249,731	$ 73,249,731	$ 134,046,656	$ 134,046,656
Unsubsidized Stafford	27,574,909	27,574,909	125,665,129	125,665,129	6,588,173	6,588,173	154,465,368	154,465,368	320,851,292	320,851,292
Federal Pell Grant	14,872,310	14,872,310	101,086,860	101,086,860	5,542,377	5,542,377	66,647,193	66,647,193	94,269,603	94,269,603
FSEOG	809,288	809,288	3,240,485	3,240,485	160,036	160,036	2,352,225	2,352,225	2,977,743	2,977,743
Federal Work Study Applied to Tuition and Fees	-	-	-	-	-	-	-	-	-	-
Federal ACG Grant	-	-	-	-	-	-	-	-	-	-
Federal SMART Grant	-	-	-	-	-	-	-	-	-	-
PLUS Loan	20,724,558	20,724,558	16,773,214	16,773,214	364,064	364,064	14,988,514	14,988,514	41,057,143	41,057,143
Grad PLUS Loan	-	-	-	-	-	-	12,618,092	12,618,092	43,304,243	43,304,243
Perkins Loan	-	-	795,804	795,804	-	-	-	-	423,580	423,580
Student Title IV Revenue		**86,000,915**		**339,819,648**		**17,591,641**		**324,321,123**		**636,930,260**
Revenue Adjustment		(4,523,154)		(31,755,622)		(1,226,197)		(37,748,960)		(131,676,209)
Adjusted Student Title IV Revenue		**$ 81,477,761**		**$ 308,064,026**		**$ 16,365,444**		**$ 286,572,163**		**$ 505,254,051**
Student Non-Title IV Revenue										
Grant funds for the student from non-federal public agencies or private sources independent of the institution	$ 2,861,037	$ -	$ 6,956,240	$ -	$ 157,865	$ -	$ 2,897,294	$ -	$ 15,905,500	$ -
Funds provided for the student under a contractual arrangement with a federal, state or local government agency for the purpose of providing job training to low-income individuals	-	-	2,653,995	-	244,517	-	146,627	-	337,130	-
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	152,837	-	145,935	-	-	-	338,496	-	52,297	-
Institutional scholarships disbursed to the student	-	-	-	-	-	-	-	-	-	-
Amount of unsubsidized loan over the pre-ECASLA loan limits	-	-	-	-	-	-	-	-	-	-
Student payments	24,583,475	-	68,404,117	-	3,261,008	-	62,149,717	-	113,604,751	-
Tuition assistance funds for employees of related institutions	175,511	-	668,283	-	-	-	3,209,294	-	6,274,723	-
Student Non-Title IV Revenue	**$ 27,772,860**	-	**$ 78,828,570**	-	**$ 3,663,390**	-	**$ 68,741,428**	-	**$ 136,174,401**	-
Revenue From Other Sources (Totals for the Fiscal Year)	-	-	-	-	-	-	-	-	-	-
Activities conducted by the institution that are necessary for education and training	-	-	-	-	-	-	-	-	-	-
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-	-	-	-	-	-	-	-	-	-
The Net Present Value (NPV) of institutional loans disbursed to students	-	-	-	-	-	-	-	-	-	-
Revenue from Other Sources	-	-	-	-	-	-	-	-	-	-

	Ai Chicago 012584-00	Ai Phoenix 040513-00	BMC Salina 006755-00	South 013039-00	Argosy 021799-00
Numerator	$ 81,477,761	$ 308,064,026	$ 16,365,444	$ 286,572,163	$ 505,254,051
Denominator	$ 109,250,621	$ 386,892,596	$ 20,028,834	$ 355,313,591	$ 641,428,452
Rate	75%	80%	82%	81%	79%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2012

	EDMC Total		Ai Atlanta 009270-00		Ai Colorado 020789-00		Ai Charlotte 021105-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 629,100,409	$ 629,100,409	$ 31,744,960	$ 31,744,960	$ 7,363,605	$ 7,363,605	$ 9,248,385	$ 9,248,385
Unsubsidized Stafford	838,292,236	838,292,236	36,993,750	36,993,750	9,563,216	9,563,216	10,281,774	10,281,774
Federal Pell Grant	432,462,395	432,462,395	25,459,783	25,459,783	4,535,465	4,535,465	7,474,646	7,474,646
FSEOG	14,711,971	14,711,971	1,136,252	1,136,252	272,219	272,219	397,831	397,831
Federal Work Study Applied to Tuition and Fees	-	-	-	-	-	-	-	-
Federal ACG Grant	426,832	426,832	33,676	33,676	-	-	40,785	40,785
Federal SMART Grant	267,683	267,683	-	-	-	-	-	-
PLUS Loan	336,029,813	336,029,813	45,721,683	45,721,683	5,819,553	5,819,553	14,335,237	14,335,237
Grad PLUS Loan	64,881,484	64,881,484	-	-	-	-	-	-
Perkins Loan	964,284	964,284	-	-	259,951	259,951	-	-
Student Title IV Revenue		**2,317,137,107**		**141,090,104**		**27,814,009**		**41,778,658**
Revenue Adjustment		(304,836,511)		(8,736,532)		(1,422,418)		(2,331,644)
Adjusted Student Title IV Revenue		**$ 2,012,300,596**		**$ 132,353,572**		**$ 26,391,591**		**$ 39,447,014**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the institution	$ 54,255,922		$ 3,817,645		$ 362,946		$ -	
Funds provided for the student under a contractual arrangement with a federal, state or local government agency for the purpose of providing job training to low-income individuals	3,580,355		19,240		5,049		4,000	
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	1,983,208		250,052		-		-	
Institutional scholarships disbursed to the student	-		-		-		-	
Amount of unsubsidized loan over the pre-ECASLA loan limits	-		-		-		-	
Student payments	477,902,595		43,505,262		14,496,178		8,151,633	
Tuition assistance funds for employees of related institutions	12,307,658		296,338		7,178		-	
Student Non-Title IV Revenue	**$ 550,029,738**		**$ 47,888,537**		**$ 14,871,351**		**$ 8,155,633**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	-		-		-		-	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-		-		-		-	
The Net Present Value (NPV) of institutional loans disbursed to students	-		-		-		-	
Revenue from Other Sources	-		-		-		-	

	EDMC Total	Ai Atlanta 009270-00	Ai Colorado 020789-00	Ai Charlotte 021105-00
Numerator	$ 2,012,300,596	$ 132,353,572	$ 26,391,591	$ 39,447,014
Denominator	$ 2,562,330,334	$ 180,242,109	$ 41,262,942	$ 47,602,647
Rate	79%	73%	64%	83%

	Ai Fort Lauderdale 010195-00		Ai Houston 021171-00		Ai Minnesota 010248-00		Ai Miami 008878-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 9,470,030	$ 9,470,030	$ 18,871,608	$ 18,871,608	$ 6,883,074	$ 6,883,074	$ 15,866,569	$ 15,866,569
Unsubsidized Stafford	11,906,822	11,906,822	22,622,301	22,622,301	7,996,770	7,996,770	17,897,707	17,897,707
Federal Pell Grant	7,007,647	7,007,647	13,310,270	13,310,270	4,013,429	4,013,429	10,979,823	10,979,823
FSEOG	362,924	362,924	433,669	433,669	206,122	206,122	516,520	516,520
Federal Work Study Applied to Tuition and Fees	-	-	-	-	-	-	-	-
Federal ACG Grant	-	-	21,899	21,899	-	-	1,557	1,557
Federal SMART Grant	-	-	-	-	90,011	90,011	-	-
PLUS Loan	6,964,761	6,964,761	22,364,584	22,364,584	5,630,507	5,630,507	19,615,284	19,615,284
Grad PLUS Loan	-	-	-	-	-	-	303,709	303,709
Perkins Loan	-	-	7,500	7,500	-	-	-	-
Student Title IV Revenue		**35,712,184**		**77,631,831**		**24,819,913**		**65,181,169**
Revenue Adjustment		(1,355,211)		(4,111,611)		(1,423,256)		(5,462,888)
Adjusted Student Title IV Revenue		**$ 34,356,973**		**$ 73,520,220**		**$ 23,396,657**		**$ 59,718,281**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the institution	$ 879,872		$ 380,442		$ 1,599,635		$ 1,822,971	
Funds provided for the student under a contractual arrangement with a federal, state or local government agency for the purpose of providing job training to low-income individuals	-		3,288		134,301		1,250	
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	296,130		61,379		-		427,996	
Institutional scholarships disbursed to the student	-		-		-		-	
Amount of unsubsidized loan over the pre-ECASLA loan limits	-		-		-		-	
Student payments	11,716,655		32,214,819		10,021,689		26,365,814	
Tuition assistance funds for employees of related institutions	37,950		44,209		10,387		239,433	
Student Non-Title IV Revenue	**$ 12,930,607**		**$ 32,704,137**		**$ 11,766,012**		**$ 28,857,464**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	-		-		-		-	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-		-		-		-	
The Net Present Value (NPV) of institutional loans disbursed to students	-		-		-		-	
Revenue from Other Sources	-		-		-		-	
Numerator	$ 34,356,973		$ 73,520,220		$ 23,396,657		$ 59,718,281	
Denominator	$ 47,287,580		$ 106,224,357		$ 35,162,669		$ 88,575,745	
Rate	73%		69%		67%		67%	

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2012

	Ai New England 007486-00		Ai New York 025256-00		Ai Pittsburgh 007470-00		Ai Portland 007819-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 5,157,045	$ 5,157,045	$ 6,448,471	$ 6,448,471	$ 64,103,254	$ 64,103,254	$ 6,211,802	$ 6,211,802
Unsubsidized Stafford	5,082,936	5,082,936	6,895,245	6,895,245	90,202,819	90,202,819	7,696,845	7,696,845
Federal Pell Grant	3,010,760	3,010,760	5,839,585	5,839,585	38,995,336	38,995,336	4,060,047	4,060,047
FSEOG	162,651	162,651	231,457	231,457	1,757,760	1,757,760	181,683	181,683
Federal Work Study Applied to Tuition and Fees	-	-	-	-	-	-	-	-
Federal ACG Grant	-	-	-	-	7,308	7,308	-	-
Federal SMART Grant	68,000	68,000	-	-	-	-	1,334	1,334
PLUS Loan	10,749,923	10,749,923	13,726,332	13,726,332	17,383,963	17,383,963	6,383,091	6,383,091
Grad PLUS Loan	-	-	-	-	-	-	-	-
Perkins Loan	-	-	-	-	478,992	478,992	-	-
Student Title IV Revenue		**24,231,315**		**33,141,090**		**212,929,432**		**24,534,802**
Revenue Adjustment		(1,290,965)		(2,448,949)		(20,304,851)		(1,897,564)
Adjusted Student Title IV Revenue		**$ 22,940,350**		**$ 30,692,141**		**$ 192,624,581**		**$ 22,637,238**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the institution	$ 125,495		$ 1,630,101		$ 2,593,332		$ 2,298	
Funds provided for the student under a contractual arrangement with a federal, state or local government agency for the purpose of providing job training to low-income individuals	-		-		116,094		97,885	
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	-		-		73,819		32,695	
Institutional scholarships disbursed to the student	-		-		-		-	
Amount of unsubsidized loan over the pre-ECASLA loan limits	-		-		-		-	
Student payments	9,982,597		7,673,911		34,193,764		8,207,697	
Tuition assistance funds for employees of related institutions	68,024		57,001		347,693		82,118	
Student Non-Title IV Revenue	**$ 10,176,116**		**$ 9,361,013**		**$ 37,324,702**		**$ 8,422,693**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	-		-		-		-	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-		-		-		-	
The Net Present Value (NPV) of institutional loans disbursed to students	-		-		-		-	
Revenue from Other Sources	-		-		-		-	

	Ai New England 007486-00	Ai New York 025256-00	Ai Pittsburgh 007470-00	Ai Portland 007819-00
Numerator	$ 22,940,350	$ 30,692,141	$ 192,624,581	$ 22,637,238
Denominator	$ 33,116,466	$ 40,053,154	$ 229,949,283	$ 31,059,931
Rate	69%	77%	84%	73%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2012

	Ai Philadelphia 008350-00		Ai Seattle 022913-00		Ai York 025578-00		Ai Chicago 012584-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 12,516,954	$ 12,516,954	$ 5,992,201	$ 5,992,201	$ 2,882,808	$ 2,882,808	$ 24,680,598	$ 24,680,598
Unsubsidized Stafford	14,320,902	14,320,902	7,055,091	7,055,091	2,507,768	2,507,768	27,832,199	27,832,199
Federal Pell Grant	7,797,943	7,797,943	3,683,058	3,683,058	1,370,506	1,370,506	15,920,536	15,920,536
FSEOG	447,367	447,367	246,899	246,899	73,806	73,806	855,869	855,869
Federal Work Study Applied to Tuition and Fees	-	-	-	-	-	-	-	-
Federal ACG Grant	-	-	885	885	-	-	10,844	10,844
Federal SMART Grant	-	-	-	-	-	-	-	-
PLUS Loan	12,953,670	12,953,670	7,919,237	7,919,237	6,279,377	6,279,377	33,273,950	33,273,950
Grad PLUS Loan	-	-	-	-	-	-	-	-
Perkins Loan	-	-	-	-	-	-	-	-
Student Title IV Revenue		**48,036,836**		**24,897,371**		**13,114,265**		**102,573,996**
Revenue Adjustment		(3,484,900)		(2,569,962)		(1,104,985)		(8,203,924)
Adjusted Student Title IV Revenue		**$ 44,551,936**		**$ 22,327,409**		**$ 12,009,280**		**$ 94,370,072**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the institution	$ 2,901,778		$ 898,945		$ 1,057,639		$ 6,145,469	
Funds provided for the student under a contractual arrangement with a federal, state or local government agency for the purpose of providing job training to low-income individuals	13,868		99,101		-		4,725	
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	-		111,774		61,074		278,698	
Institutional scholarships disbursed to the student	-		-		-		-	
Amount of unsubsidized loan over the pre-ECASLA loan limits	-		-		-		-	
Student payments	16,485,459		16,238,075		2,632,921		27,069,170	
Tuition assistance funds for employees of related institutions	25,335		28,027		-		168,813	
Student Non-Title IV Revenue	**$ 19,426,440**		**$ 17,375,922**		**$ 3,751,634**		**$ 33,666,875**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	-		-		-		-	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-		-		-		-	
The Net Present Value (NPV) of institutional loans disbursed to students	-		-		-		-	
Revenue from Other Sources	-		-		-		-	

	Ai Philadelphia	Ai Seattle	Ai York	Ai Chicago
Numerator	$ 44,551,936	$ 22,327,409	$ 12,009,280	$ 94,370,072
Denominator	$ 63,978,376	$ 39,703,331	$ 15,760,914	$ 128,036,947
Rate	70%	56%	76%	74%

Education Management Corporation and Subsidiaries
Supplemental Schedule of 90/10 Ratios
For the Fiscal Year Ended June 30, 2012

	Ai Phoenix 040513-00		BMC Salina 006755-00		South 013039-00		Argosy 021799-00	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Adjusted Student Title IV Revenue								
Subsidized Stafford	$ 103,788,780	$ 103,788,780	$ 4,628,328	$ 4,628,328	$ 86,790,776	$ 86,790,776	$ 206,451,161	$ 206,451,161
Unsubsidized Stafford	130,501,102	130,501,102	5,728,220	5,728,220	128,796,924	128,796,924	294,409,845	294,409,845
Federal Pell Grant	105,520,475	105,520,475	4,769,267	4,769,267	74,822,239	74,822,239	93,891,580	93,891,580
FSEOG	3,213,709	3,213,709	158,293	158,293	1,268,751	1,268,751	2,788,189	2,788,189
Federal Work Study Applied to Tuition and Fees	-	-	-	-	-	-	-	-
Federal ACG Grant	122,351	122,351	684	684	59,122	59,122	127,721	127,721
Federal SMART Grant	83,676	83,676	-	-	-	-	24,662	24,662
PLUS Loan	31,455,227	31,455,227	550,730	550,730	14,225,389	14,225,389	60,677,315	60,677,315
Grad PLUS Loan	-	-	-	-	11,658,545	11,658,545	52,919,230	52,919,230
Perkins Loan	-	-	-	-	-	-	217,841	217,841
Student Title IV Revenue		**374,685,320**		**15,835,522**		**317,621,746**		**711,507,544**
Revenue Adjustment		(31,877,352)		(770,498)		(44,500,906)		(161,538,095)
Adjusted Student Title IV Revenue		**$ 342,807,968**		**$ 15,065,024**		**$ 273,120,840**		**$ 549,969,449**
Student Non-Title IV Revenue								
Grant funds for the student from non-federal public agencies or private sources independent of the institution	$ 7,573,649		$ 96,749		$ 3,456,159		$ 18,910,797	
Funds provided for the student under a contractual arrangement with a federal, state or local government agency for the purpose of providing job training to low-income individuals	2,381,582		214,672		126,381		358,919	
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code	158,554		-		180,426		50,611	
Institutional scholarships disbursed to the student	-		-		-		-	
Amount of unsubsidized loan over the pre-ECASLA loan limits	-		-		-		-	
Student payments	44,780,635		2,816,374		47,297,390		114,052,552	
Tuition assistance funds for employees of related institutions	512,157		-		2,752,953		7,630,042	
Student Non-Title IV Revenue	**$ 55,406,577**		**$ 3,127,795**		**$ 53,813,309**		**$ 141,002,921**	
Revenue From Other Sources (Totals for the Fiscal Year)								
Activities conducted by the institution that are necessary for education and training	-		-		-		-	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-		-		-		-	
The Net Present Value (NPV) of institutional loans disbursed to students	-		-		-		-	
Revenue from Other Sources	-		-		-		-	

	Ai Phoenix 040513-00	BMC Salina 006755-00	South 013039-00	Argosy 021799-00
Numerator	$ 342,807,968	$ 15,065,024	$ 273,120,840	$ 549,969,449
Denominator	$ 398,214,545	$ 18,192,819	$ 326,934,149	$ 690,972,370
Rate	86%	83%	84%	80%

Ernst & Young LLP

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