

July 24, 2016

July 25, 2016

Winifred M. Hagan, Ed.D., Associate Commissioner for Academic Affairs & Student Success
Lynette Robinson, Ph.D., Senior Program Review Advisor
Constantia Papanikolaou, Esq., General Counsel
Ashley H. Wisneski, Esq., Assistant General Counsel
Massachusetts Department of Higher Education
One Ashburton Place
Boston, MA 02108

Re: Proposed Acquisition of The New England Institute of Art

Dear Mss. Hagan, Robinson, Papanikolaou, and Wisneski:

Thank you for the opportunity to discuss the anticipated acquisition of The New England Institute of Art ("NEIA") by Ritnand Balved Education Foundation ("Foundation") during our meeting on Wednesday, July 13. We also deeply appreciate your permitting us to provide this clarifying information.

The Foundation is one of India's leading philanthropy, education, and development foundations. A non-profit organization with significant experience running educational institutions at all levels (*e.g.*, universities, secondary and elementary schools, pre-schools, centers for research), the Foundation is extremely enthusiastic regarding the opportunity to enable and support NEIA as it moves forward.

As an initial matter, we wish to assure you that the purchase agreement between the parties is conditioned upon receipt of all required educational approvals and consents, including any required by the Department. Our purpose in meeting on July 13, and in this follow-up letter, is to provide information for the Department to assess what would be required for the change in ownership to proceed.

We appreciate that NEIA previously announced plans to cease enrolling new students and for its existing students to have the opportunity to continue their studies at NEIA or transfer to other institutions, and eventually to close. The acquisition of NEIA by the Foundation would mean

that NEIA would not close. With the Department's agreement, the school, under its current ownership, would continue to teach its currently-enrolled students and refrain from enrolling new students, but would withdraw its intent to close. Following the receipt of all necessary pre-approvals by the NEIA's regulators and the sale of the assets, NEIA, under the Foundation's new ownership, would continue teaching its currently enrolled students and begin enrolling new students again.

As requested during the meeting, the following summarizes the material terms of the transaction in greater detail:

- NEIA is a four-year educational institution offering Bachelor and Associate degree programs to students in Brookline, MA, in a variety of media and design fields. NEIA is authorized by the Department to issue degrees. It is regionally accredited by the New England Association of Schools and Colleges and is certified to participate in the federal student aid programs administered by the U.S. Department of Education.
- NEIA is owned by The New England Institute of Art, LLC, a Massachusetts limited liability company that is an indirect subsidiary of Education Management Corporation ("EDMC").
- The Foundation, through a non-profit subsidiary ("Buyer"), would acquire from The New England Institute of Art, LLC, substantially all the assets comprising NEIA, as well as certain liabilities. As part of the transaction, the Foundation also would acquire from another EDMC subsidiary (such subsidiary, along with The New England Institute of Art, LLC, "Sellers") the assets comprising The Art Institute of New York City. The consideration for the transaction includes a \$12 million payment by Sellers to the Foundation, to be adjusted based on net working capital at closing, primarily due to the remaining lease obligations at NEIA, where the lease and a related sublease do not expire until December 2025.
- Buyer would generally only assume ordinary course liabilities related to the assets it acquires. Accordingly, litigation matters and investigations which are outstanding on the closing date of the transaction, including the investigation by the Massachusetts Attorney General, would be retained by the Sellers.
- The transaction would not result in the closure of NEIA. On the contrary, it would permit the institution to remain open, under different ownership. The students currently enrolled would have greater flexibility to remain enrolled and complete their programs without disruption. Moreover, NEIA, because it would remain open, would be able to provide them with ongoing academic and career support, even after they graduate.

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- The agreement between the parties provides that the transaction is subject to standard conditions, including receipt of any required approvals from state licensing agencies and accrediting agencies and the performance of a pre-acquisition review by the U.S. Department of Education. More specifically, Buyer will not acquire NEIA, or in any way offer any educational instruction to NEIA students, unless and until, among other things, your agency has approved the change of ownership and NEIA's authority under its new ownership to grant degrees.
- As we informed the Department by letter dated May 5, 2015, NEIA ceased enrolling students. Following this letter, Sellers provided to you further details regarding the teach-out of its students, including the teach-out plan submitted to the New England Association of Schools and Colleges. While NEIA negotiated transfer/articulation agreements with several local colleges to accept the credits students have earned at NEIA, the majority of students have elected to continue their education at NEIA through the completion of their program. Upon completion of the transaction, the existing students who have not yet graduated would continue their educational programs at the same facility with substantially the same administration, faculty, resources, and curricula, but now under the new ownership of the Foundation.
- If the transaction is permitted to go forward, Buyer and Seller would announce that an agreement has been reached, that NEIA will remain open under its current ownership and continue to offer instruction to currently enrolled students, and that, subject to all necessary regulatory approvals, the institution then will be under new ownership and will continue teaching currently enrolled students and resume enrollment of new students.

For the reasons articulated above, we believe this is a superb opportunity for NEIA and a best possible outcome for its students and staff. We also want to emphasize that the Foundation and Sellers agreed in the purchase agreement that the sale of the assets comprising the institution will not occur unless and until the Department has provided written approval of the transaction (if such approval is required) and confirmation that Buyer may enroll new students in the existing programs. At no point will an entity without degree-granting authority offer instruction to NEIA students.

We hope that the foregoing description addresses any questions you may have with respect to the transaction. Should you have further questions or concerns, we would be pleased to address them. We wish to work cooperatively with the Department to assure that all submissions required by the Department are made and any necessary approvals are obtained.

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Thank you once again for meeting with us and providing this opportunity to provide more details about the anticipated transaction. We look forward to working with the Department to ensure the best results for NEIA's students.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "John Lay", written over a horizontal line.

John Lay, President
President, New England Institute of Art

A handwritten signature in black ink, appearing to read "Assem Chauhan", written over a horizontal line.

Assem Chauhan
Chancellor, Amity University