

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

EMMANUEL DUNAGAN, et al.,

Plaintiffs,

v.

ILLINOIS INSTITUTE OF ART-CHICAGO,
LLC, et al.,

Defendants.

Case No. 19-cv-809

Hon. Joan H. Lefkow

**DEFENDANTS BRENT RICHARDSON’S AND CHRIS RICHARDSON’S AMENDED
ANSWER AND AFFIRMATIVE DEFENSES TO PLAINTIFFS’ FOURTH AMENDED
COMPLAINT**

Defendants Brent Richardson and Chris Richardson (collectively, the “Richardsons”) submit this Amended Answer and Affirmative Defenses to Plaintiffs’ Fourth Amended Class Action Complaint and Jury Demand (“Complaint”). The Richardsons (i) intend to respond only as to allegations directed to each of them individually, and none of them should be deemed to be responding to allegations that are directed to other Defendants; (ii) incorporate into each response a denial of all allegations in the Complaint (including those outside of the knowledge and information of the Richardsons) to the extent such allegations assert or suggest that either of them made any false or misleading statements to Plaintiffs or breached any alleged affirmative duty of disclosures, and to the extent the allegations assert anything that is inconsistent with, or contrary to, the documents referred to in the Complaint, to which the Richardsons respectfully refer the Court for the complete and accurate contents thereof; (iii) answer based only on their own knowledge and the information in their present possession as they are no longer affiliated with DCEH and therefore do not have possession, custody, or control of DCEH records; (iv) deny any

averments in the headings and subheadings of the Complaint, which are repeated in this Answer solely for the convenience of the Court; (v) use the term “the Richardsons” in an answer when the answer remains the same for both Chris Richardson and Brett Richardson; and (vi) deny each and every allegation contained in the Complaint and each and every claim for relief therein which is not expressly admitted in this Answer. The Richardsons further respond to the specific allegations in the Complaint as follows:

INTRODUCTION

1. Plaintiffs Emmanuel Dunagan, Jessica Muscari, Robert J. Infusino, Stephanie Porreca, Keishana Mahone, and Lakesha Howard-Williams (“Named Plaintiffs”), on behalf of themselves and a class of similarly situated persons, bring this class action complaint against the Dream Center Foundation (“DCF”), Dream Center Education Holdings, LLC (“DCEH”), the Illinois Institute of Art, LLC (“IIA”), the Illinois Institute of Art-Schaumburg, LLC (“IIA-Schaumburg”), Brent Richardson, Chris Richardson, Shelly Murphy, and John Does 1–7 (collectively, “Defendants”) for violations of the Illinois Consumer Fraud and Deceptive Practices Act (“ICFDPA”), 815 ILCS 505/2, fraudulent concealment, and negligent misrepresentation.

ANSWER: The Richardsons admit that this action is brought against Defendants and deny all claims of wrongdoing asserted against the Richardsons. The Richardsons deny all remaining allegations in this Paragraph.

NATURE OF THE CASE

2. Defendant IIA was an institution of higher education in operation since 1916 that was comprised of campuses in Schaumburg, Illinois (“IIA-Schaumburg”), Chicago, Illinois (“IIA-Chicago”), and Novi, Michigan. IIA offered bachelor’s and associate degrees for several programs, including culinary arts, design, fashion, and media arts. IIA closed in December 2018.

ANSWER: The Richardsons admit that IIA had schools in Schaumburg, Illinois; Chicago, Illinois; and Novi, Michigan, that closed in or around December 2018. The Richardsons further admit that IIA offered bachelor’s and associate degrees for several programs, including culinary arts, design, fashion, and media arts. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

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

ANSWER: Brent Richardson admits that schools known as The Illinois Institute of Art-Chicago, The Illinois Institute of Art – Schaumburg, and The Art Institute of Michigan were accredited by HLC at the time the purchase agreement was entered into on or around March 3, 2017. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

4. On January 20, 2018, the change in ownership and control of IIA schools from EDMC to DCF and its subsidiaries became effective.

ANSWER: The Richardsons admit that the schools changed ownership on or around January 20, 2018. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

5. The change in ownership and control to DCF caused HLC to remove IIA’s status as an accredited institution of higher education.

ANSWER: The Richardsons refer to the text of HLC’s notice dated January 20, 2018 in its entirety and deny any attempt to paraphrase or characterize the notice’s complete text and all allegations inconsistent therewith. The Richardsons lack knowledge or information sufficient to form a belief about any remaining allegations in this Paragraph and therefore deny the same.

6. Defendants did not inform IIA students at any time after agreeing to purchase IIA that IIA campuses could lose their accreditation and, in direct defiance of HLC’s instructions, did not inform students when the loss of accreditation occurred.

ANSWER: The Richardsons deny that they personally had an obligation to inform IIA students that IIA schools could lose accreditation or that HLC made any instructions to the Richardsons to inform students when the loss occurred. The Richardsons affirmatively state that they generally were not in communication with students. The Richardsons lack knowledge or

information sufficient to form a belief about the truth of the allegations regarding communications between other Defendants and students and therefore deny the same. The Richardsons deny the remaining allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

8. For those same five months, Defendants also concealed from Named Plaintiffs and other similarly situated students that IIA had lost its status as an accredited institution of higher education. Defendants' concealment violated the ICFDPA and Illinois common law.

ANSWER: The Richardsons deny the allegations in this Paragraph.

9. During this same five-month period, as part of their recruitment of new students, Defendants not only failed to disclose that IIA had lost its accreditation, but also affirmatively represented that the school "remain[ed] accredited."

ANSWER: The Richardsons deny the allegations in this Paragraph as to the Richardsons. The Richardsons lack knowledge or information sufficient to form a belief about the truth of any remaining allegations in this Paragraph and therefore deny the same.

10. Defendants did not disclose the truth to students until public reports surfaced revealing their deceptive and misleading representations regarding accreditation.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

12. Defendants continued to make false and misleading representations after July 10, 2018, including that IIA was likely to reobtain accreditation and that credits earned since IIA lost accreditation would be deemed fully accredited once IIA's accreditation was ultimately reinstated. IIA's accreditation was never reinstated.

ANSWER: The Richardsons admit the allegations in the second sentence of this Paragraph. The Richardsons deny the remaining allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph. Stating further, the allegations in this Paragraph contain legal conclusions to which no answer is required.

14. On December 28, 2018, twenty-two days after Plaintiffs filed their Complaint, IIA closed. Twenty-one days later—on January 18, 2019—with the express purpose of seeking to avoid entering into bankruptcy, DCEH, IIA, and IIA-Schaumburg went into federal receivership in the Northern District of Ohio. *See Dig. Media Sols. v. South Univ. of Ohio*, Case No. 1:19-cv-145 (N.D. Ohio Jan.18, 2019) ("Receivership").

ANSWER: The Richardsons admit that the IIA closed its schools on or around December 28, 2018 and admit that DCEH, IIA, and IIA-Schaumburg went into federal receivership in the Northern District of Ohio in the above-captioned action on or around January 18, 2019. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

JURISDICTION AND VENUE

15. Plaintiffs filed the original complaint in this case in the Circuit Court of Cook County, Illinois, Chancery Division on December 6, 2018. Defendant IIA-Schaumburg removed the action to this Court on February 7, 2019, on the basis of complete diversity.

ANSWER: The Richardsons admit that some of the Plaintiffs filed a complaint in the Circuit Court of Cook County, Illinois, Chancery Division, and admit, on information and belief, that the initial Complaint was removed to this Court on or around February 7, 2019. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

16. Jurisdiction is proper under 28 U.S.C. § 1332(a) for the reasons set forth in IIA-Schaumburg's Notice of Removal. Dkt. 1.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required.

17. Venue is proper pursuant to 28 U.S.C. § 1391(b)(2) because a substantial part of the events giving rise to the claims occurred in this district.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required.

PARTIES

18. Named Plaintiff Emmanuel Dunagan is a natural person who resides, and at all relevant times has resided, in Bellwood, Illinois. Mr. Dunagan was enrolled as a student at IIA-Chicago from December 2014 until he graduated in December 2018.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

22. Named Plaintiff Keishana Mahone is a natural person who resides, and at all relevant times has resided, in Chicago, Illinois. Ms. Mahone was enrolled as a student at IIA-Chicago from July 2017 until she withdrew in July 2018.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

23. Named Plaintiff Lakesha Howard-Williams is a natural person who resides, and at all relevant times has resided, in Chicago, Illinois. Ms. Howard-Williams was enrolled as a student at IIA-Chicago from October 2015 until she withdrew in or around August 2018.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

24. Defendant IIA-Schaumburg is an institution of higher education located in Schaumburg, Illinois and owned by Defendant IIA.

ANSWER: The Richardsons admit, on information and belief, that IIA-Schaumburg, prior to its closure, was an educational institution located in Schaumburg, Illinois and owed by IIA. The Richardsons deny any remaining allegations in this Paragraph.

25. Defendant IIA is an institution of higher education with campuses located in Chicago, Illinois, Schaumburg, Illinois, and Novi, Michigan. The Chicago campus, referred to herein as IIA-Chicago, is Defendant IIA's primary campus and, unlike IIA-Schaumburg, is not a distinct legal entity.

ANSWER: The Richardsons admit, on information and belief, that IIA, prior to the closure of the schools, was an educational institution with campuses located in Chicago and Schaumburg, Illinois and Novi, Michigan. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

26. Through an intermediary company known as Art Institutes International, LLC, IIA is a subsidiary of Defendant DCEH.

ANSWER: The Richardsons admit the allegations in this Paragraph.

27. Defendant DCEH is an Arizona non-profit limited liability company that was formed on January 9, 2017, to facilitate the sale of assets from EDMC to Defendant DCF. DCEH's

principal offices are located in Pittsburgh, Pennsylvania and Chandler, Arizona. At all times relevant to this complaint, DCEH owned and, together with one or more other Defendants, operated all of Defendant IIA's campuses.

ANSWER: The Richardsons admit that DCEH's principal offices were located in Pittsburgh, Pennsylvania and Chandler, Arizona and that DCEH was an Arizona limited liability company formed on or around January 9, 2017 to facilitate the sale of assets from EDMC to DCF. The Richardsons deny the remaining allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

29. DCF is the sole owner of DCEH and the ultimate parent company of the buyers in the EDMC transaction. At all times relevant to this complaint, DCF owned and, together with one or more other Defendants, operated all of Defendant IIA's campuses.

ANSWER: The Richardsons admit that DCF is or was the sole owner of DCEH. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

30. Defendant Brent Richardson is a natural person who resides in Scottsdale, Arizona. At all times relevant to this complaint, he was the Chief Executive Officer of DCEH and a member of its Board of Directors. In those roles, Mr. Richardson maintained final decision-making authority for DCEH.

ANSWER: The Richardsons admit that Brent Richardson resides in Scottsdale, Arizona and served at times as the Chief Executive Officer of DCEH and a member of its Board of Managers. The Richardsons deny the remaining allegations in this Paragraph.

31. Defendant Chris Richardson is a natural person who resides in Scottsdale, Arizona. At all times relevant to this complaint, he was an officer and Chief Counsel of DCEH.

ANSWER: The Richardsons admit that Chris Richardson resides in Arizona and served at times as General Counsel of DCEH. The Richardsons deny the remaining allegations in this Paragraph.

32. Defendant Shelly Murphy is a natural person who resides in Glendale, Arizona. At all times relevant to this complaint, she was Chief Officer of Regulatory and Government Affairs for DCEH.

ANSWER: The Richardsons admit that Shelly Murphy resides in Arizona and served as Chief Officer of Regulatory and Government Affairs for DCEH. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations of this Paragraph and therefore deny the same.

33. Defendants John Doe 1–7 are officers and/or directors of one or more Defendants.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

34. Defendants were, at all relevant times, engaged in trade and commerce in the state of Illinois and/or controlled the engagement of trade and commerce in the state of Illinois.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph as to the Richardsons, who were not personally involved in advertising, offering for sale, selling, or soliciting Illinois consumers. The Richardsons lack knowledge or information sufficient to form a belief about the truth of any remaining allegations in this Paragraph and therefore deny the same.

FACTUAL ALLEGATIONS

The Dream Center

36. The LA Dream Center is a Pentecostal Christian organization based in Los Angeles, California. Both the LA Dream Center and DCF operate out of 2301 Bellevue Ave, Los Angeles, California 90026. The LA Dream Center is also commonly known as the Dream Center.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

37. Defendant DCF is primarily responsible for funding and supporting the mission of the LA Dream Center, which includes an affiliate network of over forty-five Dream Centers (“Dream Center Network”). DCF’s purpose, according to its Articles of Incorporation, is “to promote social welfare in the community” by funding the LA Dream Center and the Dream Center Network.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

38. To become a member of the Dream Center Network, there is an application process and annual membership fee of \$2,500, which includes use of the trademarked “Dream Center” name.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

39. Prior to the facts alleged herein, neither DCF nor the LA Dream Center had experience operating institutions of higher education.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

Defendant DCF’s Purchase of IIA from EDMC

40. Since 2014, DCF had been “actively exploring formal educational partnerships to possibly acquire an accredited university or university system with a focus on acquiring a for-profit educational institution [that] would benefit from becoming non-profit.” *See* Press Release, Dream Center, Acquisition of Educ. Mgmt. Corp. (Mar. 3, 2017) (“March 3, 2017 Press Release”) (on file with Plaintiffs).

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the statements in the quoted March 3, 2017 Press Release and the allegations in

this Paragraph and therefore deny the same. Stating further, the Richardsons were not involved in the drafting or issuance of the March 3, 2017 Press Release.

41. From those explorations emerged “an amazing opportunity for the Dream Center Foundation to acquire 3 university systems from [EDMC], and turn those systems into community focused not-for-profit educational institutions.” *Id.*

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the statements in the quoted March 3, 2017 Press Release and the allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons were not involved in the drafting or issuance of the March 3, 2017 Press Release.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

43. Shortly after the March 3 announcement, Defendants proclaimed on Art Institute websites, including IIA’s, that: “NON-PROFIT = EVEN MORE [. . .] Even more affordable. Even more accessible. Even more invested.” (emphasis in original). The website contained the following image:



ANSWER: The Richardsons deny the allegations in this Paragraph as to the Richardsons. The Richardsons lack knowledge or information sufficient to form a belief about the

truth of the remaining allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons were not involved with statements allegedly made on the referenced websites.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

45. The March 6 email continued:

After the deal is finalized later this summer, we will exist as a not-for-profit, stand-alone entity owned by DCF, giving you and your instructors the chance to learn and teach in environment [sic] that is free from the challenges of the for-profit higher education sector. This opportunity truly aligns our school with the realities of today’s higher education environment.

This agreement was entered into only after careful consideration. The decision was not made lightly. It is the best way to ensure continued classroom excellence and student success for you and for our future students. . . .

This is terrific news for the entire The Illinois Institute of Art - Chicago community, and we will keep you updated on our progress.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

46. According to a document titled “Three Years of Income and Expenses.pdf,” which was submitted by DCF to the WASC Senior College and University Commission (the accreditor for many western-based EDMC schools purchased by DCF), DCF represented that conversion to non-profit status meant “that there will be more resources available to students and faculty for scholarships through a fully staffed development office, costs savings, and tax benefits.” *See* WSCUC, Structural Change Site Visit Report, Argosy University, Change of Ownership 23–24 (Apr. 12, 2017) (“WSCUC Report”) (attached hereto as Exhibit 1).

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and

deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

47. DCF also told WASC that "these additional revenues—unavailable under the current for-profit structure—will greatly enhance outcomes for students, staff and faculty." *Id.*

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

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

ANSWER: The allegations in this Paragraph 48 consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

Overlap in Management, Control, and Operation of All Defendants

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

50. At all times relevant to this complaint, the three managers of Defendant IIA, according to the Office of the Illinois Secretary of State, were Matthew Barnett, Randall K. Barton, and Brent Richardson.

ANSWER: Brent Richardson does not recall serving as a manager of IIA, but the Richardsons admit that an Illinois Secretary of State filing shows Matthew Barnett, Randall K. Barton, and Brent Richardson as IIA managers. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

51. As managers, Mr. Barton, Mr. Barnett, and Mr. Richardson performed a variety of services for IIA, including oversight of corporate governance, contractual agreements with third parties, and other enterprises. *See* Receivership, Dkt. 7-1 at 1.

ANSWER: Brent Richardson lacks knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph concerning the activities of Mr. Barton and Mr. Barnett for IIA, LLC and therefore denies the same. Brent Richardson denies all other allegations in this Paragraph. Chris Richardson lacks knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore denies the same.

52. Mr. Barnett, in addition to his role as a manager of IIA, is the President and founder of DCF, a member of the DCEH Board of Managers, and co-founder of the LA Dream Center.

ANSWER: The Richardsons admit that Mr. Barnett was a member of the DCEH Board of Managers. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

53. Mr. Barton, in addition to his role as a manager of IIA, is managing director of DCF, Co-Chairman of the DCEH Board of Directors, a member of DCEH's Board of Managers, and Chief Development Officer of DCEH.

ANSWER: The Richardsons admit that Mr. Barton was a member of DCEH's Board of Managers and the Chief Development Officer of DCEH. The Richardsons deny that Mr. Barton was the Co-Chairman of DCEH's Board of Directors. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and deny the same.

54. Mr. Richardson, in addition to his role as a manager of IIA, was Chief Executive Officer of DCEH, Co-Chairman of the DCEH Board of Directors, and a member of DCEH's Board of Managers. Mr. Richardson's family trust also provided financing to DCF in order to complete the EDMC purchase. *See* March 3, 2017 Press Release ("An affiliate of the Najafi Companies will be the principal financier of the transaction with additional financing provided by the Richardson Family Trust."). In fact, in November 2017, HLC found that an "apparent conflict of interest exists owing to an investment by the DCEH CEO of 10% in the purchase price for which limited documentation exists." *See* Letter from Robert "Bobby" C. Scott, Chairman of U.S. House of Representatives Comm. on Educ. & Labor, to Elisabeth DeVos, Sec'y of Educ. (July 16, 2019) ("Scott Letter"), Ex. 1, Letter from Higher Learning Comm. to Elden Monday, Pres. of the Art

Institute of Colorado, Josh Pond, Pres. of IIA, & Brent Richardson, Chief Executive Officer, Dream Center Educ. Holdings, at *16 (“Nov. 2017 HLC Letter”) (attached hereto as Exhibit 2). Furthermore, according to an exclusivity agreement dated November 11, 2016, that was provided to the Department, Mr. Richardson’s company, Lopes Capital LLC, likewise had a “financial relationship” with DCF.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of documents both attached and not attached to the Complaint, refer to the text of those documents in their entirety, and deny any attempt to paraphrase or characterize the documents’ complete text and all allegations inconsistent therewith. The Richardsons admit that Brent Richardson served as Chief Executive Office of DCEH and a member of DCEH’s Board of Managers. Brent Richardson does not recall serving as a manager of IIA, but the Richardsons admit that an Illinois Secretary of State filing shows Matthew Barnett, Randall K. Barton, and Brent Richardson as IIA managers. The Richardsons deny the remaining allegations in Paragraph.

55. These overlapping roles blurred the distinctions between DCEH and DCF. In one letter describing DCF’s vision for the schools to the Department, Mr. Barton (in his capacity as Managing Director of DCF) wrote to then Secretary of Education Elisabeth DeVos on DCF letterhead: “*Our* CEO, Brent Richardson, our founder, Pastor Matthew Barnett[,] and myself[] respectfully request an opportunity for 15 minutes of your time, anywhere or anytime for a presentation to share with you *our vision to transform* these three for-profit university systems at 62 campuses across the United States to private non-profit education.” *See* Letter from Randall Barton, Managing Dir., Dream Center Found., to Elisabeth DeVos, Sec’y of Educ., at *1 (June 23, 2017) (emphasis added) (attached hereto as Exhibit 3).

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

Integration Between DCF, DCEH, and the Schools Acquired from EDMC

56. From the date the EDMC acquisition was announced, DCF touted its integration with the acquired schools (including IIA), claiming that these relationships would provide important benefits to students and the public at large.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

57. When DCF announced its acquisition of schools from EDMC on March 3, 2017, Mr. Barton, as managing director of DCF, stated:

Education has always been at the heart of the Dream Center Foundation’s mission. While the Dream Center will continue to operate these institutions as they have operated, we will bring to them an expanded vision; they will be community-focused, not-for-profit institutions coupling their quality programs with a humanitarian culture that values social responsibility.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

58. Mr. Barton further emphasized that DCF wanted the LA Dream Center and the Dream Center Network to use the acquired schools to advance DCF’s mission:

For three years, the Dream Center Foundation has actively explored educational partnerships or acquisitions that might enhance our ability to provide quality education to scores of Americans through our Dream Center in Los Angeles and via our partners, nationwide. We believe this is the opportunity we have been looking for, and it aligns perfectly with our mission[,] which views education as a primary means of life transformation.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

59. In its March 3, 2017, press release, DCF announced that its purchase of the EDMC schools would have numerous benefits for the Dream Center Network that it funds, including to:

- “Provide low cost or no cost GED training at each campus in conjunction with participating Dream Centers;”
- “Offer academic programs on-site and/or through ‘on-line’ at Dream Centers throughout our network;”
- “Provide scholarships for graduates from the network of Dream Centers;” *and*
- “Provide pathways and scholarships for higher education for the thousands of [Dream Center] volunteers and interns.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons were not involved in the drafting or issuance of the March 3, 2017 Press Release.

60. DCF also stated in the press release that its purchase of the schools would “[c]onnect graduates to jobs through job placement programs throughout the Dream Center Network, and through expanded job placement efforts at each college campus site.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons were not involved in the drafting or issuance of the March 3, 2017 Press Release.

61. On October 17, 2017, DCF issued another press release stating that “the relationship between the schools and the Dream Center Foundation will allow these schools to continue to provide students with an excellent education and strengthen their sense of social responsibility.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons were not involved in the drafting or issuance of the October 17, 2017 Press Release.

62. DCF also announced that the acquired schools would provide financial benefits to the LA Dream Center and the Dream Center Network, explaining that it was converting the EDMC schools into non-profit institutions “with the intent of investing a percentage of revenue” into programs “supported by the Dream Center Foundation in Los Angeles and throughout the United States.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

63. After DCF’s purchase was announced, a “Word from Brent Richardson CEO of DCEH” was posted on DCEH’s website. Mr. Richardson stated:

Hello and welcome to Dream Center Education Holdings or as we like to refer to it, DCEH. For the first time in history, we have converted a publicly traded company into a not for profit organization. Our schools historically have provided access to education for the under-served and now, as non-profit institutions, our commitment to being an integral part

of the communities where we live, work and educate our students is more important than ever.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an announcement on a website page, refer to the text of the announcement in its entirety, and deny any attempt to paraphrase or characterize the announcement's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

64. He went on to state in the same document:

The Dream Center has a legacy of impacting peoples' lives by empowering them to make a difference in their own lives and in the lives of those around them. This aligns perfectly with our vision and focus on positively impacting the lives of our students each day by providing them a world-class education. We are excited and proud for this opportunity to change the way education is perceived in this country and around the world.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an announcement on a website page, refer to the text of the announcement in its entirety, and deny any attempt to paraphrase or characterize the announcement's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

65. Mr. Richardson's message concluded by asking students to "please take a moment to watch this Dream Center video and see why we are so excited and honored to be part of this organization," with a link to a video message from "Pastor Matthew [Barnett] of the Dream Center."

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an announcement on a website page, refer to the text of the announcement in its entirety, and deny any attempt to paraphrase or characterize the announcement's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

66. In addition, DCF repeatedly stated that it was going to both own *and* operate the acquired schools. According to a February 24, 2017, commitment letter from Najafi Companies LLC (the primary financier of the DCF acquisition) to Mr. Barton, “[DCF] has represented that it intends to acquire, own[,] and operate the Schools as ‘nonprofit institutions’ as defined in the applicable DOE regulations and as tax-exempt organizations for the ‘advancement of education’ as defined in Code Section 501(c)(3).”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

67. Similarly, in a March 21, 2017, email from Ronald Holt, counsel for DCF, to Steve Finley, an attorney in the Department’s Office of the General Counsel, Mr. Holt stated that DCF plans to “form and operate” the schools as non-profits.

ANSWER: Brent Richardson admits that this Paragraph purports to quote or paraphrase from a portion of an email dated March 21, 2017, from Ronald Holt to Steve Finley, refers to the text of the email in its entirety, and denies any attempt to paraphrase or characterize the email’s complete text and all allegations inconsistent therewith. Chris Richardson lacks knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore denies the same.

68. In his June 23, 2017, letter—on DCF letterhead—to Secretary DeVos, Mr. Barton (in his capacity as Managing Director of DCF) requested “15 minutes of your time” to discuss DCF’s “vision to transform” the schools. *See* Exhibit 3.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refers to the Exhibit in its entirety, and denies any attempt to paraphrase or characterize the Exhibit’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

69. The Department also placed obligations for the schools directly upon DCF. For example, as part of its September 12, 2017, pre-acquisition review, the Department determined that if the schools enter into Provisional Program Participation Agreements, “DCF will be required” to maintain a letter of credit in an amount to be determined by the Department.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

70. DCEH and DCF likewise elected to be treated as a single entity for tax purposes.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

71. DCF held IIA out as a non-profit because DCF, IIA's corporate parent, was a non-profit for tax purposes. However, IIA did not receive approval from the Department to operate as a non-profit institution of higher education pursuant to Department regulations.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

72. In his March 21 email to Mr. Finley, Mr. Holt wrote: "Because all entities downstream from DCF will be single member LLCs, of which DCF will be the ultimate upstream single member, all of the subsidiaries will share DCF's tax exempt status. Attached is a memorandum on this point prepared by Randy Barton, who is a tax exempt attorney, in addition to being the Managing Director of DCF."

ANSWER: Brent Richardson admits that this Paragraph purports to quote or paraphrase from a portion of an email dated March 21, 2017 from Ronald Holt to Steve Finley, refers to the text of the email in its entirety, and denies any attempt to paraphrase or characterize the email's complete text and all allegations inconsistent therewith. Chris Richardson lacks knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore denies the same.

73. Under the corporate structure adopted by DCF, IRS regulations permitted DCEH to choose either to be recognized or disregarded as an entity separate from DCF. IRS Guidance 2013-0006 (Jan. 16, 2013).

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

74. DCF and DCEH chose treatment as a "disregarded entity" for DCEH, meaning that DCEH received "the benefit of [DCF's] tax-exempt status." *Id.*

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

75. With this election, DCF was required to “treat the operations and finances of [DCEH] as its own.” *Id*; see also IRS PLR 201603032 (Jan. 15, 2016) (explaining that when an entity chooses to be “disregarded,” its operations are “treated as a branch or division” of its sole owner). For example, under IRS regulations, if DCEH’s organizational documents provided that DCEH would be operated for purposes contrary to the tax-exempt purposes of DCF, the tax exempt status of DCF may be adversely affected.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

76. If all of DCF’s public statements and use of its tax status for DCEH and the schools were not enough, accreditation documents confirm the integration between DCF, DCEH, and the schools.

ANSWER: The Richardsons deny the allegations in this Paragraph.

77. On April 12, 2017, accreditor WASC Senior College and University Commission issued a “Structural Change Site Visit Report” for Argosy University, one of the EDMC school systems purchased by DCF. *See generally* Ex. 2, WSCUC Report.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, deny that it quotes or paraphrases from Exhibit 2, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

78. The WSCUC Report addressed the extent to which the mission and focus of the acquired schools would be influenced by the mission of DCF and its Dream Center Network. The Report states:

The visit team was repeatedly told that there would be no change of mission or culture post-transition that would shift Argosy’s current vision and goals. As grounds, the officers of DCF and DCEH cited the fact that there would be “three degrees of separation” between the faith-based organization, the Dream Center, and Argosy University. *It is interesting to*

note that the co-founder of the Dream Center did not emphasize this separation; instead, he emphasized the multiple ways that Argosy University could help to support the mission of the Dream Center. The visit team notes that, as mentioned above, the co-founder is also the President of the Dream Center Foundation and a Board Member of DCEH. WSCUC Report at 21 (emphasis added).

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, deny that it quotes or paraphrases from Exhibit 2, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

79. The WSCUC Report further discusses at length the "synergy and benefits of the acquisition" for DCF and its network of Dream Centers.

ANSWER: The Richardsons admit that this Paragraph quote or paraphrase portions of an Exhibit attached to the Complaint, deny that it quotes or paraphrases from Exhibit 2, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

80. According to a DCF "structural change proposal" quoted in the WSCUC Report, DCF desired to acquire EDMC "so that it can expand the services that the Dream Center Network provides" by making education available to the Dream Center's "existing clients." *Id.* at 7.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, deny that it quotes or paraphrases from Exhibit 2, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

81. DCF's proposal also stated that "bringing Dream Center staff, clients, or volunteers" into the acquired schools would be a "benefit" of the acquisition. *Id.* at 24.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, deny that it quotes or paraphrases from Exhibit 2, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

82. In addition, DCF stated that the faculty, staff, students, and graduates of the acquired schools would serve as "partners in providing counseling, education, and volunteer services to the communities and families served by the Dream Center Network around the United States, thus expanding the services of the Dream Center Network." *Id.* at 7.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, deny that it quotes or paraphrases from Exhibit 2, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

83. Marketing and admissions teams reported that "the new relationship with DCF and [DCEH] will strengthen marketing and enrollment capacities [and] . . . emphasize[d] that the DCF relationship will provide students opportunities to participate in internships and student placements at clinics and programs operated by DCF such as the Dream Centers." *Id.* at 25–26.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, deny that it quotes or paraphrases from Exhibit 2, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

84. DCF also stood to benefit financially. According to WSCUC, DCF entered into an operating agreement with DCEH that "includes language on capital contributions from DCF to [DCEH], as well as distribution of assets from [DCEH] to DCF." *Id.* at 14.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, deny that it quotes or paraphrases from Exhibit

2, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

85. The WSCUC Report ultimately concluded about the relationship between DCF, DCEH, and the acquired schools that:

This issue is not black-and-white. Legally, there are indeed "three degrees of separation" between the Dream Center and Argosy University (DC - DCF - DCEH - Argosy). Yet online documents and some comments made during the visit are more ambiguous. Also, comments by faculty showed that they expect to be training and educating staff and clients from the Dream Centers. In another area of ambiguity, the initial proposal suggested that the excess net contribution from Argosy University would be available to DCF. In a later document, this amount was limited to \$1.5M for the first 2 years post-acquisition but not capped after that point. Should the net revenue be used by the DCF board for Dream Center purposes, then the existence of three degrees of separation would be less clear. Hence the visit team was unable to establish that the change of ownership will leave Argosy's mission completely unchanged. It was also not able to establish that the change of ownership will bring about a direct or indirect change of mission, a result that would trigger a Comprehensive Review by WSCUC.

Id. at 22.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, deny that it quotes or paraphrases from Exhibit 2, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

86. After an initial investigation, another accreditor of the schools purchased by DCF from EDMC found sufficient factual basis for requiring further inquiry into whether DCF and DCEH were, in fact, separate and independent.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

87. On June 21, 2018, the Middle States Commission on Higher Education (the accreditor for many Midwest-based EDMC schools purchased by DCF) ("Middle States") requested supplemental information from DCEH documenting "the breadth of the relationships involving the related entities, Dream Center Foundation and Dream Center Education Holdings

(DCEH), including the identification of contractual relationships, employment, and family or financial interests that could pose or be perceived as conflicts of interest.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons are no longer affiliated with DCEH and therefore no longer have access to DCEH records.

88. Middle States renewed this request in an “accreditation action” dated July 18, 2018, and stated that “the institution failed to inform the Commission about any and all developments relevant to the terms of the change in ownership and legal status as directed in the Commission action of November 16, 2017.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons are now longer affiliated with DCEH and therefore no longer have access to DCEH records.

89. On November 19, 2018, Middle States issued a show-cause letter to DCEH, once again requiring evidence of “the breadth of the relationships involving the related entities, Dream Center Foundation and Dream Center Education Holdings (DCEH), including the identification of contractual relationships, employment, and family or financial interests that could pose or be perceived as conflicts of interest.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons are now longer affiliated with DCEH and therefore no longer have access to DCEH records.

90. Upon information and belief, neither DCF nor DCEH provided answers to Middle States’ questions.

ANSWER: The Richardsons are now longer affiliated with DCEH and therefore no longer have access to DCEH records. The Richardsons thus lack knowledge or information

sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

91. After DCEH was placed into the Receivership and shuttered campuses throughout the country, DCF's purchase of the EDMC schools became the focus of intense public scrutiny. *See, e.g.,* Stacy Cowley & Erica L. Green, "A College Chain Crumbles, and Millions in Student Loan Cash Disappears," *N.Y. Times* (Mar. 7, 2019), *available at:* <https://www.nytimes.com/2019/03/07/business/argosy-college-art-insititutes-south-university.html>; Michael Vasquez, "The Nightmarish End of the Dream Center's Higher-Ed Empire," *Chronicle of Higher Educ.* (Mar. 9, 2019), *available at:* <https://www.chronicle.com/article/The-Nightmarish-End-of-the/245855>; Letter from 84 Members of Congress to Elisabeth DeVos, Sec'y of Educ. (Mar. 13, 2019) (attached hereto as Exhibit 4).

ANSWER: The Richardsons admit that this Paragraph contains hyperlinks to two internet articles and refers to an Exhibit attached to the Complaint, refer to the text of these documents in their entirety, and deny any attempt to paraphrase or characterize the documents' complete text and all allegations inconsistent therewith. The Richardsons deny the remaining allegations in this Paragraph.

92. In response to this scrutiny, DCF and the LA Dream Center disavowed any knowledge of or relationship to the schools that less than two years prior were "at the heart of the Dream Center Foundation's mission."

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

93. In one tweet responding to the comments of a concerned citizen, the LA Dream Center—which is led by Mr. Barnett and Mr. Barton and which DCF calls "our Dream Center in Los Angeles"—wrote on March 11, 2019: "We're so sad to hear about these closures [] and the impact it has had on your family and every person involved. The @LADreamCenter is actually an entirely different entity than DCEH and is no way involved, as much as we would love to help. We wish you all the best!"

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

94. In response to another concerned citizen who cited to an article about DCF's purchase of the schools, the LA Dream Center stated via Twitter on March 13, 2019: "We're not the parent organization of DCEH or affiliated with them. In fact, we're not even in the same state.

But there's a lot of confusion out there because of the common name and misunderstandings w/ media. DM us for more info! :).”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

95. In response to yet another inquiry from a concerned citizen, the LA Dream Center explained via Twitter on March 18, 2019: “@LADreamCenter is an entirely separate entity from DCEH and not involved, as much as we would love to help all of those students and families in that situation. For more information about DCEH, please visit their website at <https://www.dcedh.org/>. Thank you!”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

96. Another citizen wrote to Angelus Temple—described on the LA Dream Center website as the “church of the Dream Center” where Mr. Barnett serves as the senior pastor—to ask if they were the “Christian nonprofit with no experience in higher education” that had purchased the EDMC schools. In response, the Angelus Temple twitter stated on March 18: “the @LADreamCenter is actually an entirely different entity, as are we, and are not involved in the current situation with DCEH. For more information, please contact DCEH at <https://www.dcedh.org/>. God bless you!”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

97. The same citizen responded: “My apologies. The article states, ‘Two years later, the charity affiliated with a Pentecostal megachurch’ and linked to your site. If you are in anyway [sic] affiliated with this company, even if not, so many students have been devastated, and need your prayers.” In response, Angelus Temple stated: “Yes, unfortunately there has been a lot of misunderstanding in the news. Our hearts go out to each and every one of those students, faculty, and families affected by the situation. Thank you for joining us in praying for them! God bless!”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

The Importance of Institutional Accreditation

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

100. On its consumer information page, the Illinois Board of Higher Education states: “When you’re looking around at Illinois schools, be sure the institution you select is accredited. Accreditation, by various nonprofit bodies, guarantees that the degree granted by an institution meets the accrediting body’s standards of quality and content.” *See* Ill. Bd. of Higher Educ., Consumer Information, State Approval, Accreditation, & Licensure, *available at*: <http://legacy.ibhe.org/consumerInfo/authorize.htm> (last visited Jan. 12, 2021).

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same. Stating further, the hyperlink identified did not lead to a working website as of April 25, 2023.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

Loss of IIA's Accreditation due to Change of Control

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

ANSWER: The Richardsons admit that IIA schools were accredited by HLC through January 19, 2018. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

107. On November 16, 2017, HLC formally notified Defendants, by letter to the Presidents of the Art Institute of Colorado, IIA, and Brent Richardson, Chief Executive Officer of DCEH, that the schools would be placed in the pre-accreditation status identified as “Change of Control Candidate for Accreditation.” *See* Scott Letter, Ex. 1, Nov. 2017 HLC Letter, at *11–*17. In order to restore the accreditation of IIA and the Art Institute of Colorado, Defendants were required, among other things, to provide “[e]vidence that the DCF, DCEH, DCEM, and the Art Institute Organizations . . . have organizational documents and have engaged in a pattern of behavior that indicates the respective boards of the institutions have been able to engage in appropriately autonomous oversight of their institutions.” The letter explained that HLC could “reinstate accreditation” after a review that would take place, at the earliest, six months after the closing date of the transaction. Defendants—with direct involvement from Brent Richardson, Chris Richardson, and Shelly Murphy—accepted this change in status.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

108. By letter dated January 12, 2018, HLC stated that the institution must “portray its accreditation status with [HLC] clearly to the public,” that HLC “anticipates that the institutions have properly notified their students . . . and have clearly stated its impact on current and prospective students,” and that it “expects that the institutions have also provided proper advisement and accommodations to students in light of this action, which may include, if necessary, assisting students with financial accommodations or transfer if they so request.” Scott Letter, Ex. 2, Higher Learning Comm., Public Disclosure Notice, at *19 (Jan. 20, 2018) (“HLC PDN”).

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

109. Defendants did not inform IIA or Art Institute of Colorado students of this change of status before they enrolled for the academic semester beginning in January 2018.

ANSWER: The Richardsons deny they personally had an obligation to communicate with IIA students and admit they generally did not communicate with students. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

110. On January 20, 2018, the date that EDMC’s sale of IIA and other schools to DCF closed, HLC formally removed IIA’s status as an accredited institution of higher education and placed it instead on “Change of Control–Candidacy” status.

ANSWER: The Richardsons admit that IIA was accredited through around January 19, 2018, but lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

111. HLC removed IIA’s accreditation pursuant to its policy and procedure governing “change of control” reviews. That policy required DCF to address a range of “approval factors” including, but not limited to: the extension of the mission, educational programs, student body, and faculty that were in place during HLC’s last evaluation; the likelihood that the institution would continue to meet HLC requirements; the sufficiency of financial support for the transaction; and the new owner’s previous experience in higher education and accreditation, qualifications, and resources. *See generally* HLC Policy INST.F.20.070.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph.

112. Defendants have never disclosed the contents of HLC’s change of control review to students or the public.

ANSWER: The Richardsons deny they personally had an obligation to disclose the contents of HLC’s change of control review to students or the public and admit they generally were not in communication with students. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

114. Under such “candidacy” status, IIA was no longer eligible to receive federal funds under Title IV of the Higher Education Act (“HEA”).

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

117. HLC instructed IIA—via a PDN dated January 20, 2018, but published January 30—to inform students taking classes or graduating during the candidacy period that their “courses or degrees are not accredited by HLC and may not be accepted in transfer to other colleges and universities or recognized by prospective employers.” Scott Letter, Ex. 2, HLC PDN at *19.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

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

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

119. DCF, through its managing director, Mr. Barton, was aware of HLC’s decision to remove IIA’s accreditation and its instruction via the PDN to inform and provide accommodations to students.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

120. DCEH’s leadership team—including Defendants Brent Richardson, Chris Richardson, and Shelly Murphy—were also aware of HLC’s decision to remove IIA’s accreditation and its instruction via the PDN to inform and provide accommodations to students.

ANSWER: The allegations in this paragraph lack specificity as to the date they allegedly became aware of HLC’s decision any associated communications and the allegation is

therefore vague. On that basis, the Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons were aware that IIA was accredited through around January 19, 2018.

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph. Stating further, the Richardsons deny making any substantial misrepresentation as referenced in this Paragraph and deny all allegations of any misconduct in the Complaint.

122. Under Department regulations, an institution of higher education receiving federal funds under Title IV of the HEA is prohibited from making "substantial misrepresentation[s] about the nature of its educational program, its financial charges, or the employability of its graduates." 34 C.F.R. § 668.71. A substantial misrepresentation includes "any statement that omits information in such a way as to make the statement false, erroneous, or misleading." Student Assistance General Provisions, Federal Perkins Loan Program, Federal Family Education Loan Program, William D. Ford Federal Direct Loan Program, and Teacher Education Assistance for College and Higher Education Grant Program, 81 Fed. Reg. 75,926, 76,072 (Nov. 1, 2016) (codified at 34 C.F.R. § 668.71).

ANSWER: The allegations in this paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph. Stating further, the Richardsons deny making any substantial misrepresentations as referenced in this Paragraph and deny all allegations of any misconduct in the Complaint.

123. A misrepresentation concerning "the nature of an eligible institution's educational program" explicitly includes, but is not limited to: "false, erroneous or misleading statements concerning – (a) The particular type(s), specific source(s), nature[,] and extent of its institutional, programmatic, or specialized accreditation." 34 C.F.R. § 668.72(a); *see also id.* § 668.14(b)(1) (requiring institutions that participate in Title IV under the HEA to "comply with all statutory provisions of or applicable to Title IV of the HEA" as well as "all applicable regulatory provisions prescribed under that statutory authority").

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph. Stating further, the Richardsons deny making any substantial misrepresentation as referenced in this Paragraph and deny all allegations of any misconduct in the Complaint.

Defendants Concealed IIA’s Loss of Accreditation and Affirmatively Misrepresented that IIA was Accredited

124. After IIA lost its accreditation due to the change in control from EDMC to DCF, Defendants did not inform prospective, current, or former students.

ANSWER: The Richardsons deny they personally had an obligation to communicate with prospective, current, or former students, and admit that they generally were not in communication with students. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

125. Instead, on January 23, 2018, three days after losing its status as an accredited institution, IIA-Schaumburg President David Ray sent an email to all IIA-Schaumburg students to share the “very exciting news” that, following the change of control to non-profit DCF, IIA-Schaumburg “is now a non-profit institution!”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

126. That same day, the president of IIA’s Novi, Michigan campus, Tracey Bass, also sent an email to all Novi students to share the “very exciting news” that, following the change of control to non-profit DCF, the Novi campus “is now a non-profit institution!”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

127. On January 24, 2018, IIA-Chicago President Josh Pond sent an email to all IIA-Chicago students to share the “very exciting news” that IIA-Chicago “is now a non-profit institution!” The email invited students to “[p]lease stop by the Student Lounge tomorrow (Thursday), January 25 between 11AM and 1PM for a cake and ice cream celebration!”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

128. The January 23 and 24 emails did not inform students that the IIA campuses had just lost their accreditation due to the change in control from EDMC to DCF.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

129. These emails also did not disclose to students that, although IIA was a non-profit for tax purposes, it had not been granted approval to operate as a non-profit by the Department.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

130. Upon receiving HLC's PDN on or around January 30, 2018, DCEH leadership—including Defendants Brent Richardson, Chris Richardson, and Shelly Murphy—took numerous steps to resist its requirements, including directing outside counsel to contest (or appear to contest) the decision, ordering the loss of accreditation to be concealed from IIA's student body, and intentionally misrepresenting IIA's accreditation status on its website and in other student-facing and public-facing materials.

ANSWER: The Richardsons deny the allegations in this Paragraph.

131. On February 1, 2018, outside counsel for DCEH, upon information and belief at the direction of DCEH leadership, drafted a letter to HLC in response to its PDN, which was shared with Defendants Brent Richardson, Chris Richardson, and Shelly Murphy. The letter expressed "shock" that IIA was placed into candidacy status and asked for more information about how to formally appeal HLC's decision. A final draft of that letter was sent to HLC the next day. For the next four months, however, DCEH leadership did not formally appeal HLC's decision, leaving the unaccredited status in place.

ANSWER: The Richardsons admit that DCEH's outside regulatory counsel sent a letter to HLC dated February 2, 2018, refer to the text of the referenced letter in its entirety, and deny any attempt to paraphrase or characterize the letter's complete text and all allegations inconsistent therewith. The Richardson deny the remaining allegations in this Paragraph, except that they admit they were in communication with counsel and the content of those communications are privileged.

Stating further, this Paragraph seeks to invade the attorney-client privilege and the allegations are denied on this additional basis.

132. On February 6, 2018, outside counsel suggested via email to a group of DCEH executives (including Randall Barton and Defendants Brent Richardson, Chris Richardson, and Shelly Murphy) that they prepare a statement to students about HLC's decision to place IIA into candidacy status.

ANSWER: The Richardsons admit that they were in communication with counsel and the contents of those communications are privileged and need not be disclosed. Stating further, and without waiving any privileges, the Richardsons deny any attempt to paraphrase or characterize their communications with counsel and all allegations inconsistent with those communications. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

133. Rather than prepare a statement informing students that the school had lost accreditation, Ms. Murphy instructed DCEH staff to draft talking points to be used solely in response to questions from the media or students, which Ms. Murphy then approved. Those talking points described IIA as "being in candidacy status for accreditation," explained that IIA was working with HLC and the Department to resolve the issue, falsely stated that there was "no immediate impact to students," and explained that courses or degrees completed during that time "were not accredited by HLC and may not be accepted in transfer. . . or recognized by prospective employers." Upon information and belief, those talking points were never put into effect.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of alleged draft talking points, refer to the text of the draft talking points in their entirety, and deny any attempt to paraphrase or characterize the draft talking point's complete text and all allegations inconsistent therewith. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same, except they deny the allegations as to allegedly false statements.

134. On February 26, 2018, DCEH's Vice President for Accreditation and Assessment, Dr. Ellyn McLaughlin, expressed concern via email to Defendants Chris Richardson and Shelly Murphy, among others, that those schools' websites still inaccurately said that both schools were accredited by HLC. Dr. McLaughlin also expressed concern that the schools had not yet notified students about their candidacy status.

ANSWER: Chris Richardson admits that he received an email from Dr. McLaughlin on or around February 26, 2018, refers to the text of the email in its entirety, and denies any attempt to paraphrase or characterize the email’s complete text and allegation inconsistent therewith. Brent Richardson lacks knowledge or information sufficient to form a belief about the truth of the allegation that Chris Richardson received the referenced February 26, 2018 email and therefore denies the same. The Richardsons deny any remaining allegations in this Paragraph.

135. That same day, Chris Richardson forwarded new language for IIA’s and the Art Institute of Colorado’s websites about their accreditation status to Dr. McLaughlin and Defendant Shelly Murphy, asking whether Ms. Murphy could “get [the] website taken care of.” The new language that Mr. Richardson directed Ms. Murphy to add to the schools’ websites falsely stated: “We *remain accredited* as a candidate school seeking accreditation under new ownership and our new non-profit status. Our students remain eligible for Title IV.” (emphasis added). Mr. Richardson directed use of this inaccurate language to avoid student “panic” if students found out that their schools were no longer accredited. *See* Complaint from Josh Pond, former President of IIA-Chicago, to Anthea Sweeney, Vice President for Legal & Governmental Affairs, Higher Learning Comm. (July 3, 2018) (attached hereto as Exhibit 5).

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

136. On February 27, 2018, DCEH staff scheduled a team call inviting members of DCEH leadership—including Defendant Chris Richardson, Defendant Shelly Murphy, and Randall Barton—to discuss the statement on IIA’s and the Art Institute of Colorado’s websites falsely claiming that they “remain[ed] accredited.”

ANSWER: Chris Richardson admits that he has seen a copy of an invitation for a call on February 27, 2018, between himself, Ms. Murphy, and Mr. Barton to discuss the statement referenced in this allegation. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons deny they made any false claims about the school’s accreditation status.

137. On February 28, 2018, Defendants published a “Catalog Addendum” to IIA’s 2017–2018 course catalog. The only item addressed in the addendum was an “Accreditation Update,” which stated:

Accreditiaton [sic] Update

The following fully replaces the Institutional Accreditaiton [sic] Statement on page 5 of the current:

Institutional Accreditation

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

(emphasis added).

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same, except that the Richardsons deny that they published a Catalog Addendum.

138. On March 1, 2018, Defendant Chris Richardson confirmed to Dr. McLaughlin that the accreditation statement should be changed everywhere it appeared, including the website, course catalogs, and view books, among other places.

ANSWER: Brent Richardson lacks knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore denies the same. Chris Richardson admits he had a communication with Dr. McLaughlin regarding the accreditation statement and denies the remaining allegations of this Paragraph, including the characterization of that communication.

139. That same day, Defendant Shelly Murphy instructed DCEH staff to update IIA’s and the Art Institute of Colorado’s websites with the “we remain accredited” language.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

140. Upon information and belief, other members of DCEH leadership, including Defendant Brent Richardson, authorized use of the misleading “we remain accredited” language on IIA’s website and in other materials, as well as the decision to conceal from IIA’s students that HLC had changed the school’s accreditation status from accredited to candidate for accreditation.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

Institutional Accreditation

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

(emphasis added).

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same, except they deny that they published a course catalogue.

142. That same day, Defendants posted a “Letter from the College President” in the IIA coursebook and sent it to students, stating:

On behalf of the faculty and staff at The Illinois Institute of Art, I am so pleased that you are considering furthering your education at one of our schools. Our students are driven by a passion for their chosen fields and we are proud to provide a career-focused education that can channel those passions into your life’s work. . . . We cultivate our students’ creativity from the day you walk into your first class until the day you walk across the stage in your cap and gown. Our objective is to give you the tools you need to achieve your goals. We look forward to welcoming you into our school and wish you success in all your endeavors.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same, except they deny they posted a letter in the IIA coursebook.

143. On May 3, 2018, the Department sent a letter to IIA’s and the Art Institute of Colorado’s Presidents, copying Defendants Brent Richardson and Shelly Murphy. The letter stated that “HLC transitioned the Art Institute from being accredited to being a candidate for accreditation.” Defendant Chris Richardson also received a copy of this letter. Upon information and belief, DCEH leadership—including Defendants Brent Richardson, Chris Richardson, and Shelly Murphy—did not dispute the Department’s characterization of IIA’s and the Art Institute of Colorado’s accreditation status, even though they had failed to communicate that status to students and had actively misrepresented that status on the schools’ website and in other materials.

ANSWER: The Richardsons admit that they received either a letter or a copy of a letter dated May 3, 2018 from Michael Frola of the Department of Education. The Richardsons further admit that this Paragraph purports to quote or paraphrase from this letter, refer to the text of the letter in its entirety, and deny any attempt to paraphrase or characterize the letter's complete text and all allegations inconsistent therewith. The Richardsons deny the remaining allegations of this Paragraph.

144. Although Defendants disagreed with HLC's decision to remove IIA's accreditation (and its directive to inform students of the loss of accreditation)—as demonstrated by their February 1 letter expressing “shock” and asking how to file an appeal—communications amongst Defendant Brent Richardson, Defendant Chris Richardson, Defendant Shelly Murphy, and Randall Barton, among others, reveal that they made a calculated decision not to formally appeal or otherwise challenge HLC's decision.

ANSWER: The Richardsons admit that they disagreed with HLC's decision regarding IIA's accreditation, without admitting any legal conclusions relating to or any attempt to characterize that decision. The Richardsons further admit that regulatory counsel wrote a letter dated on or about February 1, 2018. The Richardsons refer to the letter in its entirety and deny any attempt to paraphrase or characterize the letter's complete text and all allegations inconsistent therewith. The Richardsons deny all remaining allegations in this Paragraph. Stating further, this Paragraph seeks to invade the attorney-client privilege and the allegations are denied on this additional basis.

145. In email exchanges with Defendant Brent Richardson, Defendant Chris Richardson, Defendant Shelly Murphy, and Randall Barton between April 17–19, 2018, outside counsel advocated that rather than attacking HLC's PDN about the nature of accreditation, they should “let it sit” because it “[p]rovides more runway to operate.” Scott Letter, Ex. 6 at *31.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny all remaining allegations in this Paragraph.

146. On May 21, 2018, outside counsel, upon information and belief at the direction of DCEH leadership, finally sent a letter to HLC on behalf of DCEH, IIA, and the Art Institute of Colorado asking for guidance on how to pursue an appeal and, if none was given within a certain timeframe, threatening legal action. Defendants Brent Richardson, Chris Richardson, and Shelly Murphy were all copied on that communication.

ANSWER: The Richardsons admit on information and belief that DCEH outside regulatory counsel wrote a letter dated on or around May 21, 2018 to HLC. The Richardsons refer to the text of that letter in its entirety and deny any attempt to paraphrase or characterize the letter's complete text and all allegations inconsistent therewith. The Richardsons deny all remaining allegations in this Paragraph.

147. On May 30, 2018, HLC provided an explanation of its appeals procedures. Josh Pond forwarded HLC's response to Defendant Chris Richardson that same day.

ANSWER: Chris Richardson admits that on or around May 30, 2018 he was forwarded a copy of a letter from HLC, refers to the text of the letter in its entirety, and denies any attempt to paraphrase or characterize the letter's complete text and all allegations inconsistent therewith. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

148. On May 31, 2018, outside counsel sent an email to Defendant Brent Richardson, Defendant Chris Richardson, Defendant Shelly Murphy, and Randall Barton that attached a draft proposed notice to students of IIA and the Art Institute of Colorado. The draft notice communicated that they were "beginning the process of pursuing an internal appeal with HLC." This notice was never sent. Scott Letter, Ex. 9 at *45.

ANSWER: The Richardsons admit, without waiving any privileges, that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

149. According to the email transmitting the draft notice, this notice was developed following receipt of a memo from the Settlement Administrator for a Consent Judgment entered into between DCEH's predecessor, EDMC, and state Attorneys General (and succeeded to by DCEH when DCF purchased the schools from EDMC) who "called out DCEH on the fact that we have told the students of the HLC schools that the schools remain accredited[,] but HLC on its website says they [are] not." *Id.*

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

150. The transmittal email goes on to say that "our response to the Administrator explains we were misled by HLC and are now appealing HLC's actions and that we will be issuing notice to the students to inform them of the appeal we are taking." *Id.*

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

151. The plan was not to appeal HLC's decision, but rather to pretend to do so. Outside counsel's email to Defendants Brent Richardson, Chris Richardson, Shelly Murphy, and other DCEH executives states that "even if all we do is set up a meeting with the HLC Executive Committee in Chicago to get them to 'stand down' to some extent on their position, we are still 'appealing' or challenging the HLC position, so sending out the notice now, but later not actually pursuing a full-blown internal appeal[,] would not be inconsistent. But that is something that you and Randy will have to weigh." *Id.*

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny the remaining allegations in this Paragraph.

152. DCEH leadership approved this plan. In an email to Defendants Brent Richardson, Chris Richardson, and Shelly Murphy on May 31, 2018, Randall Barton asked (writing from a Gmail account, not his DCEH or DCF email addresses), "[W]hy appeal if we are going to close these schools?" Scott Letter, Ex. 7 at *34. As of that date, Defendants still had not disclosed to IIA

students that the courses they were taking were not accredited, that Defendants were foregoing an appeal of HLC's decision, or that Defendants intended to close IIA.

ANSWER: The Richardsons admit that they did not communicate with students about accreditation or closing IIA. The Richardsons further admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations as they relate to the communications of other Defendants to IIA students and therefore deny the same. The Richardsons deny all remaining allegations in this Paragraph.

153. If Defendants had formally appealed HLC's decision, they might have succeeded in maintaining accreditation for the courses students took in 2018. By not doing so, they avoided revealing to students that IIA was not accredited. As a result, many IIA students graduated in June 2018 without knowing that their degrees were unaccredited.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

154. Defendants did not attempt to formally appeal HLC's accreditation decision until at least June 27, 2018, by which time the loss of accreditation had been exposed in media reports and Defendants had decided to close IIA. On that date, Defendant Chris Richardson sent an email to HLC, copying Defendants Brent Richardson and Shelly Murphy, with the appeal attached. HLC never received the appeal, however, because Chris Richardson failed to spell "commission" correctly in both of the HLC email addresses he used.

ANSWER: The Richardsons admit that Chris Richardson sent an email attaching an appeal directed to certain individuals, including two from HLC, on or around June 27, 2018. The Richardsons refer to the email and attachment in their entirety and deny any attempt to paraphrase or characterize the documents' complete text and all allegations inconsistent therewith. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

155. In addition to misleading its student body, Defendants continued throughout the winter and spring of 2018 to recruit new students to enroll in IIA-Chicago and IIA-Schaumburg.

ANSWER: The Richardsons admit on information and belief that IIA schools enrolled new students through the spring of 2018. The Richardsons deny the remaining allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same, except the Richardsons deny that they held or attended open houses.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same, except the Richardsons deny that they held or attended open houses.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same, except the Richardsons deny that they made any representations in IIA's enrollment agreements or course catalogues.

159. During the same time period that Defendants were concealing that IIA had lost its accreditation, DCF and DCEH reached the conclusion that the schools they had purchased were in financial jeopardy.

ANSWER: The Richardsons deny the allegations in this Paragraph.

160. According to Randall Barton’s declaration filed in the Receivership proceeding, shortly after the loss of accreditation, “DCEH discovered that the actual revenues fell far short of the projections provided by EDMC, in an amount in the tens of millions of dollars, while overhead fixed costs were significantly in excess of the EDMC’s representations.” Receivership, Dkt. 7-1 at ¶ 6.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of a declaration of Randall Barton, refer to the text of the declaration in its entirety, and deny any attempt to paraphrase or characterize the declaration’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

161. Mr. Barton further explained that DCEH’s best efforts “clearly would not be enough to balance what was now projected to be a substantial operating deficit. . . . Absent some sort of cure, *DCEH forecasted an inability to meet all of its financial obligations by December of 2018.*” *Id.* at ¶ 6 (emphasis added).

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of a declaration of Randall Barton, refer to the text of the declaration in its entirety, and deny any attempt to paraphrase or characterize the declaration’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

162. Defendants did not disclose this information to current or prospective students.

ANSWER: The Richardsons deny they personally had an obligation to communicate with current or prospective IIA students and admit they generally were not in communication with students. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

163. Instead, Defendants continued to actively recruit and enroll new students.

ANSWER: The Richardsons admit that IIA enrolled new students through the spring of 2018. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same, except that they deny they actively recruited and enrolled new students.

164. On June 1, 2018, a long-time employee of the Art Institute of Colorado who worked in admissions submitted a resignation letter to Defendant Brent Richardson stating, in part:

The events of the last six months have made it impossible for me to continue my employment. I can no longer continue enrolling students without compromising my ethics and morals. When the admissions department was initially told about our “Change of Status Candidacy[,]” it was presented as a misunderstanding with HLC that would quickly be resolved. Our team was told to “punt” on any questions we received about that status and to change the conversation to a more favorable topic. . . . My heart breaks for the students who have trusted us so completely. Our July class has students who have shelled out money for plane tickets to visit the campus, turned down scholarships to other institutions, and left other stable opportunities for the reputable education they believe we will give them. These students have not been given all of the necessary and appropriate information they need to make the best choice for their own futures. If our HLC visit does not result in our accreditation being restored, these students will have tangible damages against the school and I want no part in that legal debacle. . . . Unfortunately, instead of reassurance, the only actions taken have been to increase our July start goal.

Scott Letter, Ex. 10 at *47–*48. As of the date of this letter, Defendants still had not told students that IIA and the Art Institute of Colorado had lost accreditation.

ANSWER: The Richardsons deny they personally had an obligation to inform IIA students of accreditation issues and admit they generally were not in communication with students. The Richardsons further admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit’s complete text and all allegations inconsistent therewith. The Richardsons lack knowledge or information sufficient to form a belief about the truth of any remaining allegations in this Paragraph and therefore deny the same.

Defendants’ Concealment of IIA’s Loss of Accreditation is Exposed

165. On or around May 16, 2018, Defendants became aware of public reports regarding their deceptive and misleading representations to students about IIA’s and the Art Institute of Colorado’s accreditation status.

ANSWER: The Richardsons deny the allegations in this Paragraph.

166. An article in the online publication *Republic Report* stated:

As a DCEH employee told me: “These students don’t know that they just graduated from an unaccredited school. They have no idea. They don’t know they may not be eligible for

jobs.” The employees say that DCEH is not directing campuses to tell graduates and current students about the unaccredited statuses of their schools.

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

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of the hyperlinked article, refer to the text of the article in its entirety, and deny any attempt to paraphrase or characterize the article’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

167. On June 1, 2018, Defendant Brent Richardson distributed an email to DCEH employees—but not to students—attacking the author of the article as “a long-time critic of the proprietary higher education sector.” Although Mr. Richardson’s email stated that “Dream Center Education Holdings Leadership is aware” of the allegations in *Republic Report*, it did not address the article’s allegation that DCEH had misrepresented and concealed its loss of accreditation from students and graduates.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an email sent by Brent Richardson, refer to the text of the email in its entirety, and deny any attempt to paraphrase or characterize the email’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

168. Through the knowledge of its executive leadership (including Matthew Barnett and Randall Barton), DCF knew, on or around January 20, 2018, that IIA lost accreditation.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons state that IIA was accredited through around January 19, 2018.

169. Through the knowledge of its executive leadership (Mr. Barnett and Mr. Barton), DCF also knew that IIA students had not been informed that their school was unaccredited as a result of DCF’s purchase and that IIA was continuing to represent that it “remain[ed] accredited.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

170. At no time after January 20, 2018, did DCF disclose to students or the public that IIA was not accredited.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

171. If Defendants had disclosed the loss of accreditation following completion of the sale to DCF, students would have elected to leave IIA rather than take unaccredited courses, which would have exacerbated the financial exposure to DCF and DCEH from the EDMC acquisition.

ANSWER: The Richardsons deny they personally had an obligation to communicate with IIA students and lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

172. Disclosure of the loss of accreditation also would have jeopardized the numerous other benefits of the acquisition for DCF and its Dream Center Network, which DCF had been touting publicly since March 2017.

ANSWER: The Richardsons deny they personally had an obligation to communicate with IIA students and lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

173. Students graduated from IIA between January 20, 2018, and June 19, 2018, without being informed by Defendants that the courses they had taken during that time were not accredited and that the degrees IIA conferred on them were also not accredited.

ANSWER: The Richardsons deny they personally had an obligation to communicate with IIA students and admit they generally did not communicate with students. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

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

ANSWER: The Richardsons deny they personally had an obligation to inform IIA students about accreditation status and admit they generally were not in communication with students. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

176. The same disclosure appeared in IIA’s course catalogs until August 6, 2018.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same. Stating further, the Richardsons did not issue any course catalogs.

177. On June 19, 2018, the *Pittsburgh Post-Gazette* published an article exposing that HLC had removed the school’s accreditation on January 20, 2018, and that “Art Institute schools [including the Chicago and Schaumburg schools] failed to communicate that change to students, as the Higher Learning Commission had instructed in its Jan. 20 letter to Dream Center.” Daniel Moore, “Deal Under Scrutiny as Art Institutes Face Accreditation Setbacks,” *Pittsburgh Post-Gazette* (June 19, 2018), available at: <https://www.post-gazette.com/business/career-workplace/2018/06/19/Deal-under-scrutiny-Art-Institutes-accreditation-setbacks-dream-center/stories/201806140022>.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of the hyperlinked article, refer to the text of the article in its entirety, and deny any attempt to paraphrase or characterize the article’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

178. The *Post-Gazette* article went on to say that “Dream Center continued to post statements online and in school catalogs that the schools ‘remain accredited.’” *Id.*

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of the hyperlinked article, refer to the text of the article in its entirety, and deny any

attempt to paraphrase or characterize the article's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

185. On July 2, 2018, while students were still on break, DCEH announced that it was ceasing enrollment at IIA campuses and that those campuses would close by the end of the year.

ANSWER: The Richardsons refer to the text of the purported announcement in its entirety and deny any attempt to paraphrase or characterize the purported announcement's complete text and all allegations inconsistent therewith. The Richardsons otherwise lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

Defendants Continue to Mislead Students About IIA's Accreditation

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons deny, on information and belief, that HLC had so informed DCEH on January 20, 2018.

194. Moments later, the same student stated to Mr. Crowley that IIA "is not accredited," that she had called HLC and HLC had informed her that the twenty-four credits she earned since

January are “not accredited at all,” and that “you should have informed us [about the loss of accreditation] immediately.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

195. Mr. Crowley responded, “I get it, I get it, I get it, I get it. I’ll take that. It’s a good criticism.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

196. During the same meeting, in response to a student demanding her money back because the school had lost accreditation, Mr. Crowley stated, “Listen. You are not listening. I’m saying that if we get accreditation, and your credits are transferrable, then you didn’t lose anything.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations contained in the first sentence of this Paragraph and therefore deny the same. The allegations contained in the second sentence of this paragraph are vague in that that they lack information as to the date or dates and the means of communication as to

different Defendants. The Richardsons therefore lack knowledge or information sufficient to form a belief about the truth of the allegations contained in that sentence and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

Student: Why did the school fail to tell us that it’s not accredited after January? You still need to inform your students. We are paying money.

Crowley: Understood, understood. So the DOE has granted us Title IV, which means you are okay. HLC said we are gonna be okay. So we assumed we were gonna be okay.

Student:....How can you just think it is okay to not tell your students?

Crowley: After the last three meetings, I don’t think it is okay. But it is what we did.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

201. Moments later, after explaining that she will have to retake over a year of coursework, the same student asked, “What are we supposed to do now?” Mr. Crowley responded that “the best answer is that we are working with HLC and we think it is going to be okay.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

202. Mr. Crowley did not tell students that Defendants could have appealed HLC’s accreditation decision when it was first made, but waited until at least June 27, 2018, to attempt to do so, after they had decided to close IIA and the *Pittsburgh Post-Gazette* article exposing the loss of accreditation had been published.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

203. Later, during the same meeting, a different student asked, “What about reimbursement for the people from January moving forward?” Mr. Crowley responded, “I get it.

We have two decisions. One, if we get the accreditation, everything is fine. If the literal asterisk comes along that says we are not going to get accredited, then we have to make a different decision. And then that opens up a whole other world in terms of finance.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

205. On July 11, 2018, an IIA student who attended the Novi, Michigan campus posted the following description of a July 10, 2018, meeting at the Novi campus on Facebook:

I attended the meeting yesterday as well and when I asked [school President Tracey Bass] why past graduates were not informed that they were graduating with unaccredited degrees, or why they weren't given the option to transfer to Pittsburgh online and finish their last semester there and get the accredited degree, she said (and the room is full of witnesses, including my mother and one of my teachers) that she was told IN JANUARY about the school losing accreditation and was directed by Dream Center to NOT TELL STUDENTS until they say it's ok to avoid “causing panic” while they figure things out. She said she was just doing as she was directed.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

Accreditation Statement

The following completely replaces the Institutional Accreditation statements on page 5 of the current catalog.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same, except they deny that they published an addendum to IIA course catalogues.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

208. On November 8, 2018, the presidents of IIA-Chicago and IIA-Schaumburg sent identical emails to students explaining that “[w]e are extremely disappointed in this unexpected outcome and assure you we will continue to work with each of you to find the best path forward for your continued education.” The emails further explained that “[s]tudents taking classes or graduating during the candidacy period should know that while the institution remains in candidacy status, their courses or degrees are not accredited by HLC.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

214. From January 20, 2018, until IIA closed, Defendants continued their participation in the Federal Direct Loan program and continued to draw down Title IV funds under the HEA.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same, except that they deny that they participated in the Federal Direct Loan program and drew down Title IV funds under the HEA.

215. All IIA campuses closed in December 2018 and the Receivership began on January 18, 2019. While both IIA and DCEH are Receivership entities, DCF is not.

ANSWER: The Richardsons admit, on information and belief, the allegations in this Paragraph.

216. According to the Receiver, DCEH and its subsidiaries are indebted to secured, trade, and unsecured creditors for sums in excess of \$100 million. Yet the Receiver reports that there was only \$5.5 million in the Receivership accounts when he seized control.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

217. According to time records supporting a petition for attorneys' fees filed by the Receiver's counsel, the Receiver is investigating whether two \$750,000 transfers to DCF were fraudulent transfers from any of the pre-receivership entities. Receivership, Dkt. 334-1 at 27.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

218. Time records filed by the Receiver also indicate that the Receiver is investigating bonus payments made to DCF and/or DCEH executives as the schools were collapsing and is in possession of a pre-Receivership “bonus payment list.” Receivership, Dkt. 333-3 at 25.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

219. Also, around the time the Receivership began, at least \$16 million in federal student loan stipend money belonging to DCF’s Art Institute and Argosy University students—which they rely on for living expenses such as rent, mortgages, child care, and groceries—went missing. *See, e.g.,* Receivership, Dkts. 48, 55, 64, 68, 80, 91, 162, 234. To date, no one has been able to locate the whereabouts of the students’ money.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

220. The Receiver has been conducting an investigation into the whereabouts of the missing money, the payment of bonuses prior to the Receivership, and the potentially fraudulent transfers of at least \$1.5 million to DCF, but to date, no information has been released. On May 20, 2019, the Receivership Court ordered the Receiver to report on the results of his investigation prior to termination of the Receivership. Receivership, Dkt. 336 at 3.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

Plaintiffs’ Claims Have Been Confirmed by the Settlement Administrator of a Consent Judgment Between DCEH and 40 State Attorneys General

221. In November 2015, EDMC entered into Consent Judgments with forty state attorneys general in order to resolve consumer protection claims arising out of unfair and deceptive recruitment and enrollment practices at its for-profit educational institutions. The terms and conditions of the Consent Judgment are binding on DCEH.

ANSWER: The Richardsons admit that DCEH is subject to the Consent Judgment. The Richardsons deny this allegation to the extent that it calls for a legal conclusion regarding the Consent Judgment. The Richardsons lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

222. Pursuant to the Consent Judgment, Thomas J. Perrelli was jointly appointed by EDMC and the Attorneys General as Settlement Administrator to oversee compliance with the Consent Judgment. The Consent Judgment provides that “[i]f at any time it appears that [DCEH] is engaged in a practice or pattern of non-compliance, or commits an egregious act of non-compliance,” the Administrator shall “work in conjunction with [DCEH] to devise a corrective action plan.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

223. In late 2018, Mr. Perrelli issued his third annual report (“Third Report”), which covers the period of October 1, 2017, through September 30, 2018, and contains numerous findings of DCEH’s misconduct. The Third Report is attached hereto as Exhibit 6.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

224. The Third Report confirms the allegations set forth in this Complaint. Specifically, in the Third Report, Mr. Perrelli found that, contrary to HLC policy, “DCEH did not inform Illinois Institute of Art or Art Institute of Colorado students or prospective students that it had lost its accreditation. Instead, DCEH revised the accreditation statement on its website to expressly claim that the schools ‘remain accredited as a candidate school.’” Third Report at 44.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

225. Mr. Perrelli explained that this decision carried “significant consequences” for students, which “became more dramatic once DCEH announced in July that those schools would close – and thus that many of the students would *need* those credits to transfer to other schools.” *Id.* at 43 (emphasis in original).

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and

deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

226. Mr. Perrelli found that the revised accreditation statement was "inaccurate and misleading" and ordered DCEH to complete a "corrective action plan" that "fully remed[ies] the harms" caused by its failure to advise students that their school lost accreditation. The completion of such a corrective action plan was "a necessary prerequisite to being in substantial compliance with the Consent Judgment." *Id.* at 44, 62.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

227. On February 26, 2019, Mr. Perrelli moved to intervene in the Receivership out of a concern "that the Receiver is not complying or will not comply with the Consent Judgments, and most immediately with a requirement that . . . DCEH must refund moneys to over a thousand students who may have been deceived by misleading statements by DCEH regarding the accreditation status of two of its schools. . . .To date, the Receiver has not indicated his intent to comply with the Consent Judgments." Receivership, Dkt. 77-1 at 1-2. Mr. Perrelli's motion to intervene was granted. Receivership, Dkt. 144.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of a document filed in the Receivership case and an associated court order, refer to the text of the document and court order in their entirety, and deny any attempt to paraphrase or characterize the document and court order's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

228. In his motion, Mr. Perrelli explained that "DCEH acknowledged the violation and ultimately agreed to correct the misstatements, and the Administrator has been working with DCEH on the details of a Corrective Action Plan to provide relief to the students who were misled." Receivership, Dkt. 77-1 at 9. To date, no such relief has been provided.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of a document filed in the Receivership case, refer to the text of the document in its entirety, and deny any attempt to paraphrase or characterize the document's complete text and all

allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

229. On March 22, 2019, Mr. Perrelli further informed the court in the Receivership that the misrepresentations regarding accreditation are an “an egregious act of non-compliance” pursuant to ¶ 116(a) of the Consent Judgment and that the necessary Corrective Action Plan could be fulfilled by the Receiver returning to students funds that DCEH acquired using fraudulent representations. Receivership, Dkt. 199 at 4–5.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of a document filed in the Receivership case, refer to the text of the document in its entirety, and deny any attempt to paraphrase or characterize the document’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

230. Mr. Perrelli explained that those funds “need not be treated as part of any eventual bankruptcy estate; by operation of law, they belong in a constructive trust. . . . Clearly, funds that DCEH acquired by defrauding students into believing that they were paying for credits from an accredited school are not funds that DCEH ought to hold and enjoy.” Receivership, Dkt. 199 at 4–5.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of a document filed in the Receivership case, refer to the text of the document in its entirety, and deny any attempt to paraphrase or characterize the document’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

231. In addition to the findings about accreditation, the Third Report found that DCEH leadership, led by Defendant Brent Richardson, was finalizing plans to profit personally off of DCEH students by funneling them into a for-profit educational entity that they controlled called Woz U. When DCEH compliance staff raised questions about the Woz U arrangement, Mr. Richardson stated that compliance “is the place where everything goes to die. Understand this. I run DCEH. I run Woz U. You don’t question this.” Third Report at 22. Mr. Perrelli ultimately concluded that, “in promoting Woz U, DCEH provided or endorsed misleading and non-compliant information to prospective students.” Receivership, Dkt. 77-1 at 7. DCEH abandoned the Woz U partnership shortly after it launched.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of documents attached and not attached to the Complaint, refer to the text of the documents in their entirety, and deny any attempt to paraphrase or characterize the documents' complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations of this Paragraph, including any purported wrongdoing by the Richardsons.

232. Mr. Perrelli also found that after DCEH compliance personnel sought to activate a range of disclosures and warnings to students required by ED's Gainful Employment regulation, 34 C.F.R. § 668.401 *et seq.*, "they were overruled by DCEH management, who acknowledged the disclosure requirement[,] but told the compliance personnel expressly that they could not activate the failure warnings because the warnings would deter new students from enrolling." Third Report at 29; *see also* Receivership, Dkt. 77-1 at 8 ("Interviews with DCEH employees revealed that this decision was made deliberately in order to avoid disclosing poor gainful employment numbers to prospective students.").

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of documents attached and not attached to the Complaint, refer to the text of the documents in their entirety, and deny any attempt to paraphrase or characterize the documents' complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph, including deny any purported wrongdoing by the Richardsons.

233. The Receiver has stipulated that:

- a. Accreditation is essential for students to transfer credits to other schools and for potential employers to recognize degrees;
- b. It is not true that IIA and the Art Institute of Colorado "remain[ed] accredited" following HLC's January 20, 2018, action;
- c. IIA and Art Institute of Colorado students were not informed that their schools lost accreditation until June 2018; *and*
- d. DCEH recognizes the need for restitution for the approximately 1,494 students impacted during the time period when the accreditation status was not disclosed.

Receivership, Dkt. 323-1.

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of a document filed in the Receivership case, refer to the text of the document in its entirety, and deny any attempt to paraphrase or characterize the document's complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

CLASS ACTION ALLEGATIONS

234. Named Plaintiffs bring this action on behalf of themselves and a class of all similarly situated individuals pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3).

ANSWER: The Richardsons admit that Plaintiffs purport to bring this action as a putative class action. The Richardsons deny any remaining allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph about what Named Plaintiffs would have done and therefore deny the same. The Richardsons deny the remaining allegations in this Paragraph.

236. Named Plaintiffs request that this Court certify a class of "all persons who were first enrolled or remained enrolled at IIA-Chicago and/or IIA-Schaumburg on or any time after January 20, 2018, including students who were enrolled prior to January 20, 2018, and remained enrolled after that date, as well as students who first enrolled on or after that date."

ANSWER: The Richardsons admit that Plaintiffs purport to bring this action as a putative class action. The Richardsons deny any remaining allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

Numerosity

237. The potential number of class members are so numerous that joinder would be impracticable.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

238. While the precise number of students enrolled at IIA on or after January 20, 2018, is known only to Defendants, there are well over 1,000 such students. *See* U.S. Dep't of Educ., College Scorecard, <https://collegescorecard.ed.gov/search/?name=illinois%20institute%20of%20art%20&sort=salary:desc> (last visited July 19, 2019).

ANSWER: The Richardsons admit that Plaintiffs purport to bring this action as a putative class action on behalf of students enrolled at IIA on or after January 20, 2018. The Richardsons deny any remaining allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

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

ANSWER: The Richardsons admit that Plaintiffs purport to bring this action as a putative class action. The Richardsons deny any remaining allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

Commonality and Predominance

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

242. These common legal and factual questions arise from Defendants' misrepresentations to, and concealments from, the entire IIA student body regarding the status of its accreditation starting on January 20, 2018.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

243. As alleged herein, these representations were widely disseminated on the school's website, in course catalogues and course catalogue addendums published online and available to all students, in enrollment agreements, and in emails to the student body, among other places.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

- a. Whether Defendants misrepresented to students that IIA was an accredited institution on or after January 20, 2018;
- b. Whether, after January 20, 2018, Defendants failed to inform IIA students that IIA was no longer an accredited institution;
- c. Whether Defendants intended that IIA students rely upon the concealment, suppression, or omission of the fact that IIA was not an accredited institution;
- d. Whether Defendants' misrepresentations regarding IIA's accreditation constitute a deceptive act or practice under the ICFDPA;
- e. Whether Defendants' omissions regarding IIA's accreditation constitute a deceptive act or practice under the ICFDPA;

- f. Whether Defendants' conduct is unfair under the ICFDPA such that it offends public policy; is immoral, unethical, oppressive, or unscrupulous; or causes substantial injury to consumers; *and*
- g. Whether Defendants owe a duty to students to refrain from providing false and misleading information.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

Typicality

245. Named Plaintiffs' claims are typical of the claims of the class members.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

246. Named Plaintiffs and class members' claims are based on the same legal and factual theories, in that:

- a. Defendants' misrepresentations and omissions have caused significant damage to all students who have taken out student loans or paid out of pocket to attend IIA since January 20, 2018; *and*
- b. Named Plaintiffs and the class all enrolled in the same school and were subject to and affected by the same unlawful course of conduct during the same time period.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

Adequacy

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph and states that this action cannot be maintained individually or on behalf of any class.

Superiority

250. A class action is superior for the fair and efficient adjudication of this matter in that:

- a. Defendants have acted in the same unlawful manner with respect to all class members;
- b. A legal ruling concerning the unlawfulness of Defendants' representations and omissions since January 20, 2018, would vindicate the rights of every class member;
and

- c. Due to the numerous members of the class and the existence of common questions of fact and law, a class action will serve the economies of time, effort, and expense as well as prevent possible inconsistent results. Litigating individual lawsuits in the present case would be a waste of judicial resources and addressing the common issues in one action would aid judicial administration.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph and state that this action cannot be maintained individually or on behalf of any class.

FACTUAL ALLEGATIONS CONCERNING NAMED PLAINTIFFS

Emmanuel Dunagan

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

252. In December 2014, Mr. Dunagan was accepted into IIA-Chicago's illustration and design bachelor's degree program, which he started in January 2015. Mr. Dunagan remained enrolled at IIA-Chicago from January 2015 until he graduated in December 2018.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

256. Mr. Dunagan chose to remain enrolled at IIA, as Mr. Crowley had recommended, and completed his degree in December 2018.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

257. Defendants' conduct has severely diminished the value of Mr. Dunagan's IIA education and degree.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

259. Defendants' conduct has caused serious damage to Mr. Dunagan. For 2018 alone, DCEH estimated the IIA-Chicago cost of attendance to be \$28,878 (living with parents) and \$32,644 (living off campus).

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

Jessica Muscari

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

265. Nearly finished with her program, Ms. Muscari decided to remain enrolled at IIA-Chicago, as Mr. Crowley had recommended. Ms. Muscari graduated from IIA-Chicago in September 2018 and received high honors.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

267. Ms. Muscari's official IIA-Chicago transcript contains an addendum with the following disclaimer: "Effective January 20, 2018[,] The Illinois Institute of Art located in Chicago, Illinois has transitioned to being a candidate for accreditation after previously being

accredited. Institute courses completed or degrees earned during the candidacy period are not accredited by HLC.”

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

268. Defendants’ conduct has caused serious damage to Ms. Muscari. For 2018 alone, DCEH estimated the IIA-Chicago cost of attendance to be \$28,878 (living with parents) and \$32,644 (living off campus).

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

Robert J. Infusino

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

280. Defendants' conduct has caused serious damage to Mr. Infusino. For 2018 alone, DCEH estimated the IIA-Schaumburg cost of attendance to be \$28,878 (living with parents) and \$32,644 (living off campus).

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

Stephanie Porreca

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons admit that they never personally communicated with Ms. Porreca and lack knowledge or information sufficient to form a belief about the truth of the remaining allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

292. Defendants' conduct has caused serious damage to Ms. Porreca. For 2018 alone, DCEH estimated the IIA-Schaumburg cost of attendance to be \$28,878 (living with parents) and \$32,644 (living off campus).

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

Keishana Mahone

294. Keishana Mahone is 46 years old and has lived in Chicago, Illinois at all times relevant to this complaint.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

295. In July 2017, Ms. Mahone enrolled in IIA-Chicago's graphic design associate degree program. Ms. Mahone remained enrolled at IIA-Chicago until she withdrew in July 2018.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

296. Ms. Mahone did not learn that IIA-Chicago lost its accreditation on January 20, 2018, until on or around early July 2018, when she returned to campus after summer break and overheard other students talking about it.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

297. Upon learning that IIA-Chicago had not been accredited since January 20, 2018, Ms. Mahone did not immediately know what to do. She sought out advice from the head of the graphic design department at IIA-Chicago to understand what the loss of accreditation meant for her course credits.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

298. At the time Ms. Mahone learned that IIA-Chicago was not accredited, she was scheduled to graduate the following year.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

299. Ultimately, Ms. Mahone withdrew from IIA-Chicago in July 2018.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

300. Since that time, Ms. Mahone has investigated the possibility of transferring her IIA-Chicago credits to other institutions. None would accept all of her credits. She has not enrolled in another school since leaving IIA-Chicago.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

301. Defendants' conduct has severely diminished the value of Ms. Mahone's IIA education.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

303. Defendants' conduct has caused serious damage to Ms. Mahone. For 2018 alone, DCEH estimated the IIA-Chicago cost of attendance to be \$28,878 (living with parents) and \$32,644 (living off campus).

ANSWER: The Richardsons deny the allegations in this Paragraph.

304. Had Defendants followed HLC's directive and informed Ms. Mahone in January 2018 that her "courses or degrees are not accredited by HLC and may not be accepted in transfer

to other colleges and universities or recognized by prospective employers,” she would have investigated options for continuing her education at an accredited school, rather than continuing to pay tuition and incur debt for unaccredited courses at IIA.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

Lakesha Howard-Williams

305. Lakesha Howard-Williams is 27 years old and has lived in Chicago, Illinois at all times relevant to this complaint.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

306. In October 2015, Ms. Howard-Williams enrolled in IIA-Chicago’s digital photography bachelor’s degree program. Ms. Howard-Williams remained enrolled at IIA-Chicago until she withdrew in August 2018.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

307. Ms. Howard-Williams did not learn that IIA-Chicago lost its accreditation on January 20, 2018, until early July 2018, when she read news articles about the loss of accreditation and, after searching online, located HLC’s PDN.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

308. Upon learning that IIA-Chicago had not been accredited since January 20, 2018, Ms. Howard-Williams did not immediately know what to do. She spoke with some of her IIA-Chicago professors and mentors to learn more about the impact of the loss of accreditation on her courses and degree. In order to keep making progress toward her degree, she remained enrolled while she considered her options.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

309. At the time Ms. Howard-Williams learned that IIA-Chicago was not accredited, she was scheduled to graduate the following year.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

310. In August 2018, Ms. Howard-Williams applied as a transfer student to Columbia College. Although Columbia College accepted her, the school would not take all of her IIA-Chicago credits, requiring her to spend an extra year pursuing her bachelor's degree.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

311. Ms. Howard-Williams graduated from Columba College in May 2020.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

312. Defendants' conduct has severely diminished the value of Ms. Howard-William's IIA education.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

314. Defendants' conduct has caused serious damage to Ms. Howard-Williams. For 2018 alone, DCEH estimated the IIA-Chicago cost of attendance to be \$28,878 (living with parents) and \$32,644 (living off campus).

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

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

ANSWER: The Richardsons incorporate all prior admissions and denials as though fully set forth in their response to this Paragraph.

317. The ICFDPA makes it unlawful to employ:

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

815 ILCS 505/2.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons refer to the text of the ICFDPA in its entirety, deny any attempt to paraphrase or characterize the ICFDPA's complete text and all allegations inconsistent therewith, and reserve all arguments with regard to the ICFDPA. The Richardsons deny any purported wrongdoing.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

320. These misrepresentations were contained in widely distributed materials received and reviewed by Named Plaintiffs and the class, including in course catalogues, course catalogue

addendums, enrollment agreements entered into on or after January 20, 2018, and the IIA-Chicago and IIA-Schaumburg websites.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

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

ANSWER: The Richardsons incorporate the prior admissions and denials as though fully set forth in their response to this Paragraph.

327. The ICFDPA makes it unlawful to employ:

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

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

815 ILCS 505/2.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons refer to the text of the ICFDPA in its entirety, deny any attempt to paraphrase or characterize the ICFDPA's complete text and all allegations inconsistent therewith, and reserve all arguments with regard to the ICFDPA. The Richardsons deny any purported wrongdoing.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

331. For the five month period starting on January 20, 2018, DCF could have, but did not, publicly disclose the truth about IIA's accreditation.

ANSWER: The Richardsons deny the allegations in this Paragraph.

332. Defendants also chose not to appeal HLC's accreditation decision until after it had decided to close IIA, avoiding revealing the loss of accreditation they had concealed from students.

ANSWER: The Richardsons deny the allegations in this Paragraph.

333. If Defendants had disclosed the loss of accreditation following completion of the sale to DCF, students would have elected to leave IIA rather than take unaccredited courses, which would have exacerbated the financial exposure to DCF and DCEH from the EDMC acquisition

and jeopardized numerous other benefits of the acquisition for DCF and its Dream Center Network, which DCF had been publicly touting since March 2017.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph concerning what unidentified students would have elected to do and therefore deny the same. The Richardsons deny the remaining allegations in this Paragraph.

334. DCF's calculated silence was a critical component of Defendants' efforts to misrepresent and conceal the true nature of IIA's accreditation to students.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of allegations in this Paragraph of intent against DCF and therefore deny the same. The Richardsons deny the remaining allegations in this Paragraph.

335. DCF provided knowing, substantial assistance to other Defendants in the coordinated effort to wrongfully conceal, for a period of approximately five months, that IIA had lost its status as an accredited institution of higher education, causing substantial harm to Named Plaintiffs and the class.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of allegations in this Paragraph of intent against DCF and therefore deny the same. The Richardsons deny the remaining allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

**COUNT III: Unfairness Under the ICFDPA
(All Defendants)**

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

ANSWER: The Richardsons incorporate their prior admissions and denials as though fully set forth in their response to this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph as an incomplete recitation of authority governing the ICFDPA.

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

ANSWER: The Richardsons deny the allegations in this Paragraph as an incomplete recitation of authority governing the ICFDPA.

341. The HEA and its implementing regulations contain a public policy against false, erroneous, or misleading statements—known as “substantial misrepresentations”—about the nature and extent of an institution’s accreditation. *See, e.g.*, 34 C.F.R §§ 668.71, 668.72(a). A substantial misrepresentation includes “any statement that omits information in such a way as to make the statement false, erroneous, or misleading.” 81 Fed. Reg. at 76,072.

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons refer to the text of those materials in their entirety, deny any attempt to paraphrase or characterize their complete text and all allegations inconsistent therewith, and reserve all arguments with regard to those materials. The Richardsons deny any purported wrongdoing.

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons refer to the text of the Code in its entirety, deny any attempt to paraphrase or characterize the Code's complete text and all allegations inconsistent therewith, and reserve all arguments with regard to the Code. The Richardsons deny any purported wrongdoing.

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

ANSWER: The Richardsons deny the allegations in this Paragraph as an incomplete or inaccurate recitation of current HLC policy.

344. Through Defendants' misrepresentations and omissions regarding the nature and extent of IIA's institutional accreditation, Defendants violated several public policies, including the regulations implementing the HEA, the Illinois Administrative Code, and HLC policy.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The allegations in this Paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

350. Not only were Named Plaintiffs harmed by Defendants' conduct, but so too were all students enrolled at IIA campuses from January 20, 2018, to the present. Upon information and belief, Defendants DCF, DCEH, Brent Richardson, Chris Richardson, Shelly Murphy, and John Does 1–7 engaged in the exact same misrepresentations and omissions at the Art Institute of Colorado and Art Institute of Michigan, which were likewise placed on candidacy status by HLC on January 20, 2018.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

COUNT IV
Negligent Misrepresentation
(All Defendants)

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

ANSWER: The Richardsons incorporate their prior admissions and denials as though fully set forth in their response to this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the alleged representations made by other Defendants or their representatives to

Plaintiffs and therefore deny the same. The Richardsons deny the remaining allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the alleged representations made by other Defendants or their representatives to Plaintiffs and therefore deny the same. The Richardsons deny the remaining allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

357. Defendants also had a duty when touting the numerous benefits to students of the change of control from EDMC to DCF to also disclose the negative consequences of the change of control, namely, the loss of accreditation.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

COUNT V
Fraudulent Concealment
(All Defendants)

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

ANSWER: The Richardsons incorporate their prior admissions and denials as though fully set forth in response to this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

364. Defendants also chose not to appeal HLC's accreditation decision until after it had decided to close IIA, avoiding revealing the loss of accreditation they had concealed from students.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph and therefore deny the same.

367. Defendants had a duty to inform Named Plaintiffs and the class about IIA’s loss of accreditation, as well as a duty to not make false or misleading statements concerning the nature and extent of IIA’s institutional accreditation.

ANSWER: The Richardsons deny the allegations in this Paragraph and specifically deny that they made any false or misleading statements.

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

ANSWER: The Richardsons admit that this Paragraph purports to quote or paraphrase portions of an Exhibit attached to the Complaint, refer to the text of the Exhibit in its entirety, and deny any attempt to paraphrase or characterize the Exhibit’s complete text and all allegations inconsistent therewith. The Richardsons deny any remaining allegations in this Paragraph.

369. In addition, under the Department’s regulations, an institution of higher education receiving federal funds under Title IV of the HEA is prohibited from making substantial misrepresentations or omissions “about the nature of its educational program, its financial charges, or the employability of its graduates.” 34 C.F.R. § 668.7.

ANSWER: The allegations in this paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons refer to the text of the Code in its entirety, deny any attempt to paraphrase or characterize the Code’s complete text and all allegations inconsistent therewith, and reserve all arguments with regard to the Code. The Richardsons deny any purported wrongdoing.

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

ANSWER: The allegations in this paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons admit that this Paragraph purports to quote or paraphrase portions of the Code of Federal Regulations, refer to the

text of the Code in its entirety, deny any attempt to paraphrase or characterize the Code's complete text and all allegations inconsistent therewith, and reserve all arguments with regard to the Code.

The Richardsons deny any purported wrongdoing.

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

ANSWER: The allegations in this paragraph consist of legal conclusions to which no answer is required. To the extent an answer is deemed necessary, the Richardsons admit that this Paragraph purports to quote or paraphrase portions of the Illinois Administrative Code, refer to the text of the Code in its entirety, deny any attempt to paraphrase or characterize the Code's complete text and all allegations inconsistent therewith, and reserve all argument with regard to the Code.

The Richardsons deny any purported wrongdoing.

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

ANSWER: The Richardsons deny the allegations in this Paragraph as an incomplete or inaccurate recitation of current HLC policy.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

374. For the five month period starting on January 20, 2018, DCF could have, but did not, publicly disclose the truth about IIA's accreditation.

ANSWER: The Richardsons deny the allegations in this Paragraph.

375. If Defendants had disclosed the loss of accreditation following completion of the sale to DCF, students would have elected to leave IIA rather than take unaccredited courses, which would have exacerbated the financial exposure to DCF and DCEH from the EDMC acquisition

and jeopardized numerous other benefits of the acquisition for DCF and its Dream Center Network, which DCF had been publicly touting since March 2017.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of what unidentified students would have elected to had other Defendants had other communications with students and therefore deny the same. The Richardsons deny the remaining allegations in this Paragraph.

376. DCF's calculated silence was a critical component of Defendants' efforts to misrepresent and conceal the true nature of IIA's accreditation to students.

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of the allegations in this Paragraph as to the intent of DCF and therefore deny the same. The Richardson deny the remaining allegations in this Paragraph.

377. DCF provided knowing, substantial assistance to other Defendants in a coordinated effort to wrongfully conceal, for a period of approximately five months, that IIA had lost its status as an accredited institution of higher education, causing substantial harm to Named Plaintiffs and the class.

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons lack knowledge or information sufficient to form a belief about the truth of what Plaintiffs believed as to how prospective employers and other institutions would value their credits and degrees and therefore deny the same. The Richardsons deny the remaining allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

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

ANSWER: The Richardsons deny the allegations in this Paragraph.

AFFIRMATIVE AND OTHER DEFENSES

Without assuming the burden of proof on any matters where that burden rests on Plaintiffs, the Richardsons assert the following affirmative and other defenses to the Complaint. Use of the term “Plaintiffs” in these defenses refers to the lead Plaintiffs and to any member of the putative plaintiff class alleged in the Complaint. The Richardsons expressly reserve the right to amend their defenses at any time, including and up to and at trial, based on all further investigations, discovery, and preparation for the trial of this action.

FIRST DEFENSE

Plaintiffs fail to state a claim against the Richardsons upon which relief can be granted.

SECOND DEFENSE

The Richardsons are not liable to Plaintiffs because they had no affirmative duty to individually make affirmative statements to the Plaintiffs. To the extent any statements made by others are shown to be false or misleading, the Richardsons had no duty to correct any such misstatements.

THIRD DEFENSE

Plaintiffs are not entitled to any recovery from the Richardsons because the Richardsons acted reasonably and diligently at all times in good faith and had no knowledge, and were not reckless in not knowing, that any alleged statement or omission was false or misleading.

FOURTH DEFENSE

Plaintiffs' claims against the Richardsons are barred in part because the Richardsons relied in good faith on the representations, opinions, and advice of others.

FIFTH DEFENSE

Without admitting that Plaintiffs suffered damages in any amount, or that the Richardsons should be liable for any such damages, to the extent that Plaintiffs failed to mitigate, minimize, or avoid any loss or damage referred to in the Complaint, any recovery against the Richardsons must be reduced by that amount or eliminated. According to the Complaint, Plaintiffs and others continued to attend the IIA Schools even after they purportedly learned of the schools' loss of accreditation. Accordingly, Plaintiffs failed to take reasonable steps to mitigate their damages and their claims are barred.

SIXTH DEFENSE

Plaintiffs' damages, if any should be offset by amounts already refunded, or debt already forgiven.

SEVENTH DEFENSE

Plaintiffs' claims are barred to the extent any alleged damages or injury to Plaintiffs and/or members of the asserted putative class are based on their own conduct or the conduct of third parties.

EIGHTH DEFENSE

Plaintiffs' Complaint, and every cause of action herein, is barred to the extent any damages were caused by the purportedly unlawful or other wrongful act of any person employed by any other Defendant that was not authorized or ratified by either of the Richardsons.

NINTH DEFENSE

Any damages or losses allegedly suffered by Plaintiffs were directly and proximately caused and contributed to by the negligence or fault of persons separate and apart from the Richardsons, whether they be named or unnamed in this action. In the event a finding is made that negligence exists on the part of the Richardsons, which proximately contributed to Plaintiffs' damages, Plaintiffs' amount of recovery from the Richardsons, if any, should be reduced on the basis of the comparative negligence of such other persons.

TENTH DEFENSE

Plaintiffs and members of the class lack standing to bring claims under the Illinois Consumer Fraud and Deceptive Practices Act to the extent they have not suffered any pecuniary loss or damages, or they have already been made whole by events occurring subsequent to the filing of this lawsuit.

ELEVENTH DEFENSE

The Richardsons are informed and believe, and on that basis allege, that Plaintiffs' claims against the Richardsons are barred in whole or in part by laches, equitable estoppel, waiver, or other related equitable defenses. Upon information and belief, including based on Plaintiffs' allegations, Plaintiffs and/or members of the asserted putative class voluntarily continued to attend the IIA Schools and never objected to the conduct alleged in the Complaint before the filing of this lawsuit.

TWELTH DEFENSE

Plaintiffs' claims on behalf of themselves and the alleged putative class are not appropriate for class treatment, and no class can be certified, because—among other things—individual issues predominate and Plaintiffs are not adequate representatives of, and should be barred from acting on behalf of, the alleged class.

The Richardsons reserve the right to raise any additional defenses, crossclaims, and third-party claims not asserted herein of which they may become aware through discovery or other investigation, as may be appropriate at a later time.

WHEREFORE, the Richardsons demand judgment dismissing the claims against them, reimbursement of the costs of this suit, awarding attorneys' fees and costs and other, and further and different relief as the Court deems just and proper.

JURY DEMAND

The Richardsons demand a trial by jury as to all matters alleged by Plaintiffs.

PRAYER FOR RELIEF

WHEREFORE, the Richardsons pray for the following relief:

1. That Plaintiffs recover nothing by reason of their Complaint, and that judgment be rendered in favor of the Richardsons;
2. That Plaintiffs be denied class certification;
3. That the Richardsons be awarded their costs of suit incurred in defense of this action, including reasonable attorneys' fees; and
4. For other such relief as the Court deems proper.

Dated: April 26, 2023

DLA Piper LLP (US)

/s/ Kenneth L. Schmetterer

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Attorneys for Defendants

Brent Richardson and Chris Richardson

CERTIFICATE OF SERVICE

I certify that, on April 26, 2023, I electronically filed the foregoing **DEFENDANTS BRENT RICHARDSON'S AND CHRIS RICHARDSON'S AMENDED ANSWER AND AFFIRMATIVE DEFENSES TO PLAINTIFFS' FOURTH AMENDED COMPLAINT** using the ECF System for the United States District Court for the Northern District of Illinois. Notice of this filing will be sent by operation of the Court's electronic filing system to all counsel of record registered on the ECF system.

/s/ Kenneth L. Schmetterer

Kenneth L. Schmetterer