

June 29, 2015

Navient
Attn: Quality Assurance
PO Box 3779
Wilkes-Barre, PA 18773-3779

Re: Art Institute of Pittsburgh Online
Acct: 9511768344

I am in receipt of your undated letter mailed in an envelop postmarked June 19, 2015.

In response to your request for documentation, attached are the following items:

- 1) Copy of my transcripts from the Art Institute of Pittsburgh which verifies my attendance from March 31, 2008 through December 19, 2009;
- 2) My own Declaration signed under penalty of perjury; and
- 3) Copies of court rulings for two federal lawsuits that have been filed against EDMC and its affiliate colleges, wherein The Art Institute of Pittsburgh is a named defendant in each case.

The aforementioned documents provide sufficient evidence to support my claim, among other things, "regarding the quality of education and job placement" as well as offering proof "of the promises from the school and proof of how the school did not meet those promises." After careful consideration of the facts contained in this letter and its supporting documentation, any reasonable person will conclude that the both Federal and State Laws provide me with the right to assert a Defense to Repayment of my students loans, the right to rescind my student loan agreements, and the right to full compensation for all amounts I have paid Navient to date.

In a federal whistle-blower lawsuit filed on January 28, 2010 pursuant to the False Claims Act (Civil Action No. 10-131 filed in the United States District Court - Western District of Pennsylvania), the Relator (whistle-blower Jason Sobek) alleges Education Management Corporation (EDMC) and its affiliate colleges ("Defendants") engaged in a multi-faceted, corporate-wide scheme to enroll as many students as possible, and keep them on the rolls for as long as possible, without regard to the students' qualifications or their likelihood of graduation or career placement, in order to maximize financial aid from the United States Department of Education. The EDMC affiliate college I attended, The Art Institute of Pittsburg, is specifically named as a defendant in the lawsuit. The case was unsealed in February 2012 and, consequently, the various motions and other court filings are readily available for review.

The complaint describes a carefully-crafted and widespread for-profit scheme of fraud in the following general terms:

"All of the Defendants schools abide by a simple formula: recruit as many students as possible with the greatest financial needs as possible and enroll them in high-cost programs to maximize the amount of federal funding received. The Defendant had a corps of recruiters, all well-trained in sales and closing techniques, who perfected the art of preying on the hopes and dreams of vulnerable students desperately seeking better lives..."

“Defendants have built their business on a predatory scheme that affects every aspect of a student’s experience. From aggressive and misleading marketing practices designed to target vulnerable students, to their admissions representatives’ compensation structure, which was based on per-head recruiting quotas, to their failure to adequately track students’ progress and attendance, Defendants made it clear that they viewed students as dollar signs, and did not care about whether the students they enrolled were ready for college, much less whether they succeeded once enrolled.”

“From at least 2004 continuing through present, Defendants refused to abide by federal regulations put in place to protect students, and instead focused on maximizing the ‘for-profit’ title they richly deserve. Each time Defendants made certifications to the Department of Education, Defendants were aware they were not in compliance with mandatory regulation, and they had no intention of complying if it meant sacrificing profit margins.”

The complaint places the various fraud and misrepresentations into five categories, or counts:

I. Misrepresentations as to Program Accreditation: The Defendants consistently and routinely made false, erroneous or misleading statements concerning the nature and extent of course accreditation, whether a student may transfer course credits to another institution, whether completion of a course of instruction qualifies a student to receive a certification required as a precondition for employment, or to meet additional conditions that the institution knows or reasonably should know are generally needed to secure employment in a recognized occupation for which the program was designed to prepare students.

II. Misrepresentations as to Job Placement: The Defendants consistently and routinely made false, erroneous or misleading statements concerning “data concerning employment statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements.” Defendants told students that 87 percent of The Art Institutes graduates were employed in their field of studies, and that graduate statistics listed the average salary for The Art Institutes graduates at \$31,455. The Defendants recruiters’ sales pitches failed to inform students that the Defendants kept two sets of job placement statistics, one for accrediting agencies, the other for prospective students, employers and the investment community. Placement rates quoted to potential students eliminated graduates who were single, stay-at-home parents, graduates with jobs outside their field of study, as well as graduates who only worked for one day. These reductions artificially inflated job placement statistics.

III. Misrepresentations as to Cost: Defendants misled prospective students about the cost of their programs. Defendants trained recruiters to avoid speaking about the costs of a degree unless a student repeatedly asked, and if a student asked, to give the cost per credit hour, not the total price of a program.

IV. Inadequate Tracking of Student Progress: In order to participate in any federal grant or loan program, a student must maintain satisfactory progress. EDMC did not have an attendance policy and did not withdraw students who did not attend class, allowing students to stay on the rolls and EDMC to continue to receive federal aid.

V. Incentive Compensation for Recruiters: The Higher Education Act prohibits colleges from providing “any commission, bonus, or other incentive payment to recruiters based on recruiting activities.” The Defendant was flagrant and knowing in violation of the incentive compensation ban as set forth in regulations.

EDMC filed a Motion to Dismiss the complaint. The court denied their motion, stating “Relator has made plausible and particularized factual allegations in Counts I, II, IV and V of his complaint. In fact, the complaint is quite detailed with regard to the nature of the alleged fraudulent scheme...” The court also stated its ruling, “In addition, the United States and the Department of Education have been actively investigating the Relator’s claims since January 2010 and could have dismissed the case if it thought the case was spurious or without merit.”

A separate federal whistle-blower action was filed in 2007 pursuant to the False Claims Act (Civil Action No. 07-461 also filed in the United States District Court - Western District of Pennsylvania), in which the Relator (whistle-blower Lynntoya Washington) alleges EDMC and its affiliate colleges engaged in a company-wide scheme to defraud the United States. The United States Department of Justice intervened in 2011, with the States of California, Florida, Illinois, Indiana, Massachusetts, Minnesota, Montana, New Jersey, New Mexico, New York and Tennessee, and the District of Columbia, enjoining this lawsuit against EDMC as well.

In Washington v. EDMC, the plaintiffs allege that EDMC paid incentive compensation to recruiters of new students to attend their numerous affiliated schools, in violation of the the Higher Education Act. As a result of EDMC’s violation of the Incentive Compensation Ban, plaintiffs contend that EDMC falsely represented its eligibility to receive federal student aid funds, and that since July 1, 2003, EDMC and/or its students enrolled in EDMC schools have wrongfully obtained over eleven billion (\$11,000,000,000) in federal student aid funds and millions more in state funds.

Plaintiffs in the Washington case state that EDMC has pursued an enrollment-maximization strategy, and had the goal to dramatically increase student enrollment. Plaintiffs aver that EDMC accepted all potential students who completed an application, regardless of high school grades or the quality of their written essay. All plaintiffs assert that EDMC’s Admissions Performance Plan was a sham used to cover up for improper compensation practices, that EDMC’s “quality factors are nothing more than window-dressing, used to camouflage a compensation system that, in reality, is driven entirely by student enrollment numbers.”

EDMC filed a Motion to Dismiss the case, however in June 2012 the court ruled to deny EDMC’s motion and allow the case to go forward.

It is important for you to comprehend the pleading standard for a motion to dismiss. Regarding the pleading standard for any motion to dismiss, the US Supreme Court has made it clear “factual allegations must be enough to raise a right to relief above the speculative level” and that “only a complaint that states a plausible claim for relief survives a motion to dismiss.” The more-rigorous pleading standard which applies to the False Claim Act (because fraud is alleged) requires that plaintiffs “must state with particularity the circumstances constituting fraud or mistake” and the alleged fraud must state the “precise misconduct with which it is charged.”

Because both federal whistle-blower lawsuits have survived EDMC's motions to dismiss, the facts stated by the plaintiffs in each of the counts that have survived the motions to dismiss are necessarily "plausible." By definition, the word "plausible" means "more likely than not." The US Supreme Court has stated "preponderance of the evidence" is all that is required in most civil cases. By definition, "preponderance of the evidence" means "more likely than not." It follows then, that the factual allegations contained in the two federal lawsuits against EDMC and its affiliate colleges, having survived motions to dismiss, meet the legal standard for "proof" and and, together with my own declaration, provide sufficient documentation of the "proof" that Navient is requesting in this matter. In summary, the surviving allegations are: 1) Misrepresentations as to Program Accreditation, 2) Misrepresentations as to Job Placement, 3) Inadequate Tracking of Student Progress, and 4) Incentive Compensation for Recruiters.

In addition, because the surviving allegations have been shown to be part of a systemic, corporate-wide scheme of fraud that was in fact made part of EDMC's operations manual, or as they call it, their "Admission Performance Plan," ALL students in attendance during the period in question at ANY of the EDMC affiliate colleges are victims of fraud and misrepresentation. The facts contained in the Washington v. EDMC show that this Admission Performance Plan was put into effect on July 1, 2003, and that EDMC's fraudulent activities have occurred since July 1, 2003. Sobek v. EDMC alleges the fraud and misrepresentation occurred "From at least 2004 and continuing through present."

I trust you find this documentation, along with the accompanying analysis, to be proof of "the promises from the school and how the school did not meet those promises" in support of my claim "regarding the quality of education and job placement."

My Defense to Repayment of this debt, my right to rescind the loan agreements and my right to restitution are made pursuant to both State and Federal Laws. Title IV of the US Higher Education Act and Amendments, and Department of Education Regulations, prevent schools participating in Title IV programs from committing "substantial misrepresentation" in their interactions with students and prospective students. Further, the law states "Notwithstanding any other provision of State or Federal law, the Secretary shall specify in regulations which acts or omissions of an institution of higher education a borrower may assert as a defense to repayment of a loan." Clearly, fraud and misrepresentation would be incorporated into any such acts or omissions. These acts and omissions directly relate to my loan and the educational services for which the loan was intended to pay.

The school was also in violation of The Federal Trade Commission Act and Federal Trade Commission regulations, which prohibit "a school, in promoting a course of training, to misrepresent the availability of employment after graduation from a course, the success that the member graduates have realized in obtaining such employment, or the salary that the member's graduate will receive in such employment."

Applicable State Law in Pennsylvania, the state in which EDMC and The Art Institute of Pittsburgh are headquartered, provides me with the right to rescind my student loan agreements. Under Pennsylvania State Civil Code, if a party is induced into signing a contract by either a fraudulent or material misrepresentation upon which the recipient relied, the contract is voidable. The Art Institute of Pittsburgh fraudulently misrepresented material facts upon which I relied and induced me into enrolling and signing loan agreements with Navient and the Department of Education. As a result, these loan agreements are voidable by me. In voiding the

loan contracts, Pennsylvania State Law gives me the right to rescind my Navient loans, both public and private, meaning I must be placed in the position I occupied before the contracts were made (i.e. I am entitled to a full refund of all payments I have made to date, in addition to having the debt discharged in its entirety).

In summary, the facts presented herein give rise to a Defense to Repayment for all students who attended any of EDMC's affiliate colleges from July 1, 2003 to present. Applicable Pennsylvania State Law also gives student borrowers the right to rescind their loan agreements as they were entered into through fraudulent misrepresentation of material facts upon which borrowers relied. I was enrolled at The Art Institute of Pittsburgh from March 31, 2008 through December 19, 2009. When I enrolled, I relied on claims made by The Art Institute of Pittsburgh with respect to job placement, job salaries, employment assistance, the quality of their program, the transferability of credits, the cost of a degree and the value of an online degree from The Art Institute of Pittsburgh. The claims upon which I relied were false. I have suffered damages as a result.

The long history of systematic illegal activity, coupled with inadequate programs, created a high likelihood that The Art Institute of Pittsburgh's reputation would be irreparably damaged to the point where the degrees they issued would be worthless. The Art Institute of Pittsburgh never notified me or otherwise made me aware that my degree would be worthless due to the school's misconduct.

Absent their misconduct, I would not have chosen to attend The Art Institute of Pittsburgh. I decided to pursue an education there because I wanted to gain the relevant skills to find a more fulfilling career with higher earning potential than I was able to obtain previously. I chose to attend The Art Institute of Pittsburgh because they represented to me that their program would give me useful skills, that their degree would allow me to earn more than I did previously, and that these benefits would outweigh the burden of paying off the obligations I would incur to finance the degree.

I have suffered injury as a direct result of the misconduct at The Art Institute of Pittsburgh. Injuries include, but are not limited to, (a) stress caused by my federal and private student loan debt, (b) undue burden of having to divert my limited funds from other aspects of my life to make payments on my student loans, (c) the lost opportunity to attend a credible institution of higher education (specifically Montana State University) because I now lack the funds and the ability to take on any more debt to do so, and (d) difficulty finding employment in my field of study because the degree I earned from The Art Institute of Pittsburgh is viewed by prospective employers as being worthless.

I was delighted to read in your letter: "We're here to help you" and "As your partner in saving, planning, and paying for education, we appreciate the opportunity to serve you." Accordingly, I expect your full cooperation and compliance as I hereby assert my Defense to Repayment of my student loans and assert my right to rescind my loan agreements related to The Art Institute of Pittsburgh. My demands are as follows:

- 1) Navient shall immediately discharge and cancel, the remaining principal balance, interest accrued, fees and costs associated with my student loans, both public and private, borrowed to attend The Art Institute of Pittsburgh;

2) Navient shall immediately cease and desist payment obligations, interest accrual and/or assessment of fees or costs on all of my student loans, both public and private, borrowed to attend The Art Institute of Pittsburgh;

3) Navient shall NOT now or in the future commence any collection actions against me in relation to my student loans, both public and private, borrowed to attend The Art Institute of Pittsburgh;

4) Navient shall NOT report any adverse or negative information to any consumer credit reporting agency and shall agree to remove any such reports from now and forever in the future related to my student loans, both public and private, borrowed to attend The Art Institute of Pittsburgh; and

5) Navient shall immediately return to me any sums paid by me, whether voluntarily or involuntarily, towards my student loans, both public and private, borrowed to attend The Art Institute of Pittsburgh.

I look forward to your assistance in resolving this matter.

Sincerely,

Lacey J. Heavner

DECLARATION OF LACEY J. HEAVNER

I, Lacey J. Heavner of Bozeman, Montana, declare under penalty of perjury:

1. I have personal knowledge of the facts set forth in this declaration, that the facts set forth are true and to the best of my knowledge and recollection, and if I were to be called as a witness, I could competently testify about the facts which I have stated in the declaration.

2. In January 2008, I began receiving unsolicited emails from The Art Institute of Pittsburgh which advertised degrees that could be earned online. Around March 15, 2008, I responded to one of the emails to request information. Beginning that same day, I began to receive phone calls from The Art Institute. They would call several times a day, leaving messages that I needed to call them right away. After about four days of phone calls and messages, I finally decided to call them back.

3. From the first phone call on, the recruiter was very pushy. The woman told me that it was urgent, that I needed to enroll right away because space was limited. She told me that “90% of their graduates found careers in their area of study,” that their “art graduates typically earn about \$35,000 a year” and that “the school helped the students find careers in their field.” She guaranteed me a job, telling me that “the career possibilities are endless,” that I would be able to “work anywhere at anytime.” I relied on all of these statements and they were very important in my decision to enroll. After more than five years from graduating, I still have not been able to find a job in my area of study. Recently, over the past year, some prospective employers have told me the degree I have from The Art Institute Pittsburgh is not a “real” degree and/or that the degree is worthless.

4. The recruiter told me I could “earn a degree in as little a year.” I told the recruiter that I wanted an Associate Degree and I specifically asked her if the program she wanted me to enroll in would provide me with an Associate Degree. She wouldn’t answer that question at first. Throughout the conversation, I kept going back to that same question, whether or not the program would provide me with an Associate Degree. She finally answered “yes.” She told me getting an Associate Degree would be easy and that it would only take one year instead of two. I was confused as to how a degree could take only one year. She responded by telling me an online education was “faster and just as credible as a traditional education.” I relied on her representation that I would have an Associate Degree upon graduation. This was extremely important to me in my decision to enroll.

5. I told the recruiter that eventually I wanted a degree in architecture from Montana State University and asked about transferring the credits in the future. She told me that the credits were fully transferrable. I have spoken to admissions at Montana State about transferring The Art Institute credits, but I have been told the credits from The Art Institute are, in fact, not transferrable. The transferability of credits was extremely important in my decision to enroll at The Art Institute of Pittsburgh.

6. I asked the recruiter if the school's program was accredited by the Council for Interior Design Accreditation (CIDA). She told me that the program was accredited by CIDA. This representation was important to me in my decision to enroll. On about June 20, 2015, I discovered that The Art Institute of Pittsburgh is accredited by CIDA, but the online program was NOT accredited by CIDA when I enrolled in 2008. The recruiter was aware that I was enrolling in the online program since I was living in Hawaii at the time. The recruiter deceived me into believing that the online program was accredited when it was not. Program accreditation was very important in my decision to enroll.

7. Some of the recruiter's questions were about my family. She asked if I was the first in my family attend college, to which I replied "yes." She asked if my father would be proud if I went to college. When I told her that my father didn't think I could get into college, the recruiter told me that I should prove him wrong and enroll at The Art Institute. I was very moved and persuaded after having listened to the recruiter's comments regarding my family.

8. I was told by the recruiter that The Art Institute of Pittsburgh Online is a prestigious school, that its a great school to make sure that I get the best training possible, and that I would have a portfolio to show potential employers. Information about the quality of their programs and the prestige of the school was important to me in my decision to enroll.

9. When I told the recruiter I had no money to pay for an education, she told me "student loans are easy to get," that I would "easily be able to pay them off when I get a job as an Interior Designer after graduation" and that the school had "excellent job placement." I was put in touch with a financial aid expert. The financial aid expert spoke with a sense of extreme urgency and I was rushed through important financial aid decisions. The financial aid expert also told me student loans were easy to get and that I would easily be able to pay them off when I graduated. Its been five years since graduation and, not only have I not been able to find a job and pay off my loans, the loan balance is higher than when I graduated. Because I have no money, I made the decision to enroll based on this information. I relied heavily on it.

10. I felt like I was coerced into filling out an application to enroll. I was shocked when I was admitted the very next day after having sent in my application. I thought it would have taken weeks for them to review my application. Everything moved so fast from the time I made my first contact with them to the time I was enrolled. The whole process took less than a week.

11. Teachers were rarely, if ever, available to answer questions. They seemed indifferent as to whether or not any actual learning was taking place in their classes. Most of the time, they would just send me a link to a website if I had a question. It felt like I could have gotten the same education myself by just searching online. Part of the course involved students critiquing each other's work. I was stunned to see the poor performance by most of the students. Some could not even draw a stick figure, yet they were passing art courses. Also, the teachers were not even able to perform the work. They would take the work of the better students and then use that work to teach other students. They actually had me sign an agreement whereby I would allow the teachers to use my work.

12. One of my teachers gave me an “incomplete” for a course for no apparent reason and then told me I had to take the course over again. When I tried to dispute this, I was told that there was nothing I could do but retake the course. The school then made me take out a private loan to retake the course. It felt like the school was simply trying to drain every bit of money and financial aid out of me as possible. I was one of the few students who took their course work seriously, so I just decided to “stick it out” and get through the program, only to dig myself deeper into debt.

13. On June 8, 2015, I read a news story related to the Corinthian College bankruptcy and school closures. The article contained a statement from the Department of Education about unscrupulous “for-profit” colleges. Over the next several days, I researched online and discovered that EDMC and its affiliated colleges have been implicated in a corporate-wide scheme to defraud the federal government and students out of billions of dollars. After having read several news stories, I realize I am the victim of fraud.

14. The week of June 22, 2015, I found a copy of my transcripts from The Art Institute of Pittsburgh. In reviewing it carefully, I noticed the degree I earned there was not an Associate Degree as promised. The degree stated on my transcripts is a degree of “Diploma.” This was the first time I had ever heard of a “Diploma Degree.” I thought I had earned an Associate Degree because this was what the school represented I would be receiving having gone through the program that I paid for.

Signed this 29th day of June 2015:

Lacey J. Heavner

NAVIENT

Attn: Quality Assurance
PO Box 3779
Wilkes-Barre, PA 18773-3779

Lacey Heavner
8402 Little Gully Run
Bozeman, MT 59715-9335

Re: Art Institute of Pittsburgh - Online
Acct: 9511768344

Dear Lacey Heavner:

Navient's Quality Assurance Department received your inquiry regarding the school that you attended. In order to investigate your claim regarding the quality of education and job placement, we will need to see your enrollment agreement for the school. We will also need documentation of the promises from the school and proof of how the school did not meet those promises. It's important that we receive this document otherwise we're unable to review your request.

If you have questions regarding this request, please contact us at 877-559-9120. We're here to help you Monday through Friday, 8:00 a.m. to 5:00 p.m., ET.

If we don't hear from you, we'll be unable to complete our investigation and will continue to consider you responsible for the loan(s) until it's repaid.

As your partner in saving, planning, and paying for education, we appreciate the opportunity to serve you.

Sincerely,

Navient's Quality Assurance Department