RITTENHOUSE CAPITAL PARTNERS

Postsecondary Industry News

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Education Management Files to go Public

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Highlights

- On Friday, Education Management Corporation ("EDMC" or the "Company") filed to take the Company public, through the issuance of up to $500 million of common stock, 18 months after being taken private in June 2006.
- With current industry valuations at historically high levels it seems that EDMC's investors have accelerated what their expected IPO time frame may have been.
- The substantial growth and progress the Company has made, especially in the online sector, position it to benefit from the overall improving valuation parameters in postsecondary education and the specific success of Capella Education and American Public Education in the online sector.

Outlook

- We suspect this will only increase the growing investor interest in for-profit education and continue to validate the efficacy of it as a viable education alternative.
- The question that will be asked is - are we at the top of the market, or the beginning of a new leg in the secular growth trends in for-profit postsecondary education?
- It will be very interesting to follow the industry response and equity analysts' view of this transaction. Although, initially many of the industry equity analysts may withhold comments until co-managers are named to follow the lead manager, Goldman Sachs.
- Is the K-12 sector next?

Industry Information

Please visit our website at www.rittenhousecapital.com for copies of this review and other industry information.

2007 has been a Banner Year for Postsecondary Education

- Trading multiples are at very attractive levels.
- Quality established companies such as American Public Education, Capella, Strayer, and Devry trade at premium EBITDA multiples.
- Companies with growth issues such as Lincoln, UTI and Career Education trade at much lower multiples, as they try to convince the market that they are addressing the root causes of their past failures.

Public Company Trading Comparables

RITTENHOUSE CAPITAL PARTNERS ***12/14/2007***

Symbol	Company	Stock Price 12/14/2007	52 Week Hi	52 Week Low	TTM Sales	Market Cap	Enterprise Value	EBITDA	Enterprise Value to Rev.	Enterprise Value to EBITDA	EBITDA Margin
APEI	American Public Education	$ 42.98	$ 44.49	$ 29.23	$ 61	$ 759	$ 739	$ 15	12.2 x	49.2 x	24.72%
APOL	Apollo Group	75.29	80.75	37.50	2,720	12,560	12,190	697	4.5 x	17.5 x	25.62%
CPLA	Capella Education	69.92	75.38	23.63	213	1,200	1,080	34	5.1 x	31.3 x	16.19%
CECO	Career Edu Corp	29.37	36.68	24.36	1,650	2,670	2,250	215	1.4 x	10.5 x	13.02%
COCO	Corinthian College	17.41	18.25	12.36	959	1,480	1,500	72	1.6 x	20.9 x	7.48%
DV	Devry Inc.	58.59	59.97	26.10	965	4,180	3,960	154	4.1 x	25.7 x	15.96%
ESI	ITT Education	97.84	131.82	66.26	845	3,890	3,770	253	4.5 x	14.9 x	29.88%
LINC	Lincoln Educational	14.29	16.18	11.35	332	370	382	39	1.2 x	9.7 x	11.89%
STRA	Strayer Education	181.77	195.91	104.62	303	2,640	2,470	101	8.1 x	24.6 x	33.17%
UTI	Universal Tech. Inst.	$ 16.89	$ 27.12	$ 16.88	$ 353	$ 477	$ 402	$ 47	1.1 x	8.5 x	13.30%
Total					$ 8,401	$ 30,226	$ 28,743	$ 1,626	3.4 x	17.7 x	19.36%
Average					$ 840	$ 3,023	$ 2,874	$ 163	4.4 x	21.3 x	19.12%

- 2007 has been a great year for investors in the sector.
- We have seen a dramatic rebound in the sector from the mixed results in 2006.

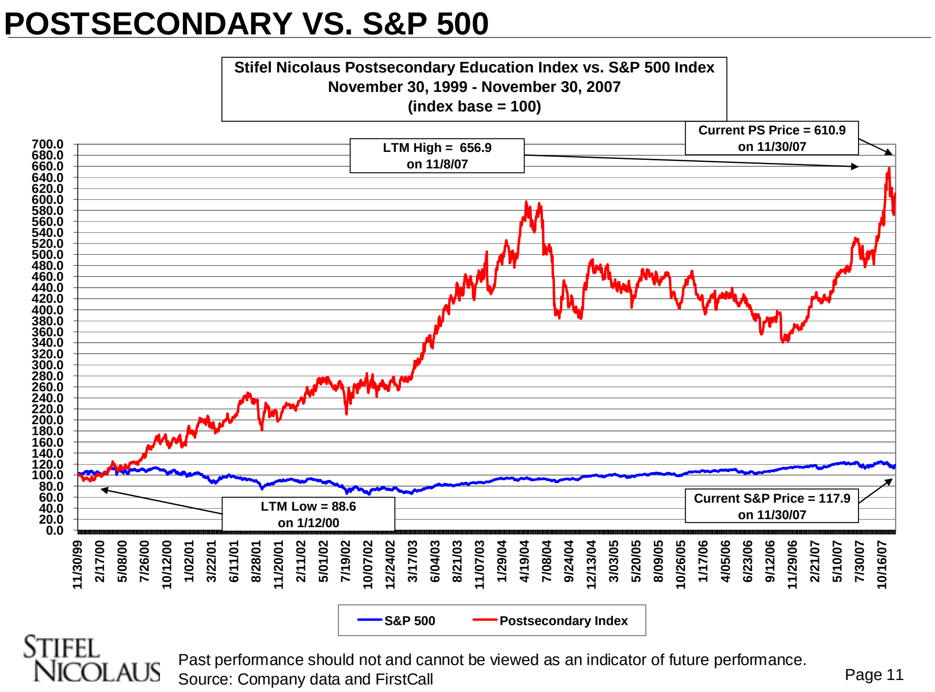
Public Company 2006-2007 Returns

RITTENHOUSE CAPITAL PARTNERS ***12/14/2007***

Symbol	Company	Stock Price 12/29/2006	Stock Price 12/30/2005	2006 Return	2007 YTD Return
APOL	American Public Education	$ -	$ -	-	114.90%
APOL	Apollo Group	38.97	60.46	-35.54%	93.20%
CPLA	Capella Education*	24.25	20.00	21.25%	188.33%
CECO	Career Edu Corp	24.78	33.72	-26.51%	18.52%
COCO	Corinthian College	13.63	11.77	15.80%	27.73%
DV	Devry Inc.	28.00	20.00	40.00%	109.25%
ESI	ITT Education	66.37	59.11	12.28%	47.42%
LINC	Lincoln Educational	13.49	14.26	-5.40%	5.93%
STRA	Strayer Education	106.05	93.70	13.18%	71.40%
UTI	Universal Tech. Inst.	$ 22.21	$ 30.94	-28.22%	-23.95%

** CPLA went public on November 9, 2006 at $20.00 per share*

Below is a chart that Stifel Nicolaus presented at the CCA Investor Conference that depicts the valuation trends in the postsecondary sector versus the overall market.



Pure Online Plays such as Capella Education and American Public Education have Captured Investor Support

- With the growing acceptance and importance of online education, every school, both for-profit as well as non-profit, is pursuing or developing online strategies.
- Since its IPO in November 2006, Capella's share price has increased approximately 3.5x and now trades at a 31.3x EBITDA multiple.

- Since its IPO in November 2007, American Public Education's share price has more than doubled and now trades at a 49.2x EBITDA multiple.

Will the K-12 Market Be Next?

With the growing acceptance and success of for-profit postsecondary education, will we see similar investment opportunities in the K-12 sector? We suspect the answer is yes but the business models will be different.

- In the K-12 sector, K-12, Inc., a provider of online education services to the online sector, went public this month and saw its stock trade as high as $31 from an initial offering price of $18. Expect to see more outsourced service providers step up to meet growing market needs.
- For-profit school models are likely to focus on charter schools, with state funding being the primary funding source for such schools.
- Over time, traditional school systems will work to emulate certain aspects of successful charter school models, parallel to what we have seen in the postsecondary market with non-profit schools becoming more of a competitive threat to for-profit institutions.
- We expect to see growing pressure on charter school reimbursement and funding levels, as they serve growing student populations.
- Traditional school systems are beginning to take steps to compete against charter schools in an attempt to retain students and associated state funding.

The Education Management Corporation IPO will be closely Followed by All Industry Participants.

Overall industry trends and sentiment continues to be bullish and positive with guarded optimism for continued growth and success. With Education Management choosing to begin its IPO process now, so quickly after going private, the question will be - is it because of the progress they have made in the last year and one-half, or is it the opportunity to take advantage of a frothy market?

We suspect it is a combination of the two. From an initial read of the IPO filing the Company had made great strides in its business and augmented an already strong management team and brand. Would many of us have predicted the extent of the rebound in industry valuations in 2007? - probably not.

The IPO proceeds will repay a portion of the outstanding acquisition indebtedness, certain payments and fees to the Sponsors (Providence, Goldman and Leeds) and for general corporate purposes. A description of the payments to the Sponsors is included in the IPO excerpts below.

Below are excerpts from the IPO filing that outline EDMC’s business and financial results, as always, the summary is subject the complete detail contained in the prospectus.

IPO Filing Excerpts

Source: http://www.sec.gov/Archives/edgar/data/880059/000095013607008504/file1.htm

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the risks of investing in our common stock discussed under ''Risk Factors'' and the financial statements and notes included elsewhere in this prospectus.

On June 1, 2006, EDMC was acquired by a consortium of private investors through a merger of an acquisition company into EDMC, with EDMC surviving the merger. We sometimes refer to that transaction in this prospectus as the ''Transaction''. Our principal shareholders are private equity funds affiliated with Providence Equity Partners, Goldman Sachs Capital Partners and Leeds Equity Partners, which we refer to in this prospectus collectively as the ''Sponsors''. As used in this prospectus, unless otherwise stated or the context otherwise requires, references to ''we'', ''us'', ''our'', the ''Company'', ''EDMC'' and similar references refer collectively to Education Management Corporation and its subsidiaries. The term ''Successor'' refers to us following the Transaction, and the term ''Predecessor'' refers to us prior to the Transaction. References to our fiscal year refer to the 12-month period ended June 30 of the year referenced.

Our Business

We are among the largest providers of post-secondary education in North America, with approximately 96,000 enrolled students as of October 2007. We offer academic programs to our students through campus-based and online instruction, or through a combination of both. We are committed to offering quality academic programs and continuously strive to improve the learning experience for our students. Our educational institutions offer students the opportunity to earn undergraduate and graduate degrees and certain specialized non-degree diplomas in a broad range of disciplines, including design, media arts, health sciences, psychology and behavioral sciences, culinary, fashion, business, education, legal and information technology. Each of our schools located in the United States is recognized by an accreditation agency and by the U.S. Department of Education, enabling students to access federal student loans, grants and other forms of public and private financial aid. Our academic programs are designed with an emphasis on applied, career-oriented content and are taught primarily by faculty members who, in addition to having appropriate credentials, offer practical and relevant professional experience in their respective fields. Our net revenues for fiscal 2007 were $1,363.7 million.

During our more than 35-year operating history, we have expanded the reach of our education systems and currently operate 81 primary locations across 26 U.S. states and in Canada. In addition, we have offered online programs since 2000, enabling our students to pursue degrees fully online or through a flexible combination of both online and campus-based education. Since October 1997, we have experienced a compounded annual enrollment growth rate of 18.0%. During the same time period, the schools that we have owned or operated for one year or more experienced a compounded annual enrollment growth rate of 12.0%.

Since the Transaction in June 2006, we have enhanced our senior management team and made investments to accelerate enrollment growth, while delivering strong financial performance. We have made significant investments in numerous areas of our workforce, including marketing and admissions, new and expanded campuses, online education, and infrastructure in order to support future enrollment growth and enhance the student experience. Our increased focus on online education has resulted in strong enrollment growth. Students enrolled in fully online academic programs have more than doubled to approximately 13,100 students in October 2007, compared to approximately 4,600 students in July 2006. In addition, we have opened eight new locations, acquired two schools, developed 20 new academic programs and introduced 259 new or existing academic programs to locations that had not previously offered such programs. Total enrollment at our schools has grown by 19.5% between October 2006 and October 2007. During the same time period, same-school enrollment for schools owned or operated for one year or more increased 18.2%.

Each of our 81 schools provides student-centered, career-focused education. Our portfolio of schools is organized and managed to capitalize on recognized brands and align them with specific targeted markets based on field of study, employment opportunity, type of degree offering and student demographics:

- *The Art Institutes.* The Art Institutes focus on applied arts in creative professions such as graphic design, interior design, web design and interactive media, digital filmmaking, media arts and animation, game art and design, fashion design and marketing and culinary arts. The Art Institutes offer Associate's, Bachelor's and Master's degree programs, as well as certain non-degree diploma programs. Students pursue their degrees through local campuses, fully online programs through The Art Institute of Pittsburgh, Online Division and blended formats, which combine on campus and online education. There are 39 Art Institutes campuses in 22 U.S. states and in Canada.

- *Argosy University.* Argosy University offers academic programs in psychology and behavioral sciences, education, business and health sciences disciplines. Argosy students can obtain Doctoral, Master's and undergraduate degrees. Argosy's academic programs focus on graduate students seeking advanced credentials as a prerequisite to initial licensing, career advancement and/or structured pay increases. Students pursue their degrees through local campuses, fully online programs and blended formats. There are 18 Argosy University campuses in 12 U.S. states.

- *Brown Mackie Colleges.* Brown Mackie Colleges offer flexible Associate's and non-degree diploma programs that enable students to develop skills for entry-level positions in high demand vocational specialties and Bachelor's degree programs that assist students to advance within the workplace. Brown Mackie Colleges offer programs in growing fields such as nursing, medical assisting, business, criminal justice, legal support and information technology. There are 18 Brown Mackie College campuses in eight U.S. states.

- *South University.* South University offers programs in health sciences and business disciplines, including business administration, health services management, nursing, pharmacy, medical assistant, criminal justice and information technology. South University offers Doctoral, Master's, Bachelor's and Associate's degrees through local campuses, fully online programs and blended formats. There are five South University campuses in four U.S. states.

Our business model has a number of favorable financial characteristics, including consistent historical revenue growth, the opportunity for profit margin expansion and strong operating cash flow generation.

- *History of consistent revenue growth.* We believe that we benefit from a business model with good insight into future revenue and earnings, given the length of our academic programs and relatively consistent persistence rates. Over 63% of our students as of October 2007 were enrolled in Doctorate, Master's and Bachelor's degree programs, which are typically multi-year programs that contribute to the overall stability of our student population. The significant investments we have made since the Transaction in numerous areas of our workforce, including marketing and admissions, new campuses and online education and infrastructure, are designed to support future enrollment growth.

- *Opportunity for profit margin expansion.* Our business model benefits from scale and permits us to continue to leverage fixed costs across our delivery platforms. We expect to continue to leverage fixed costs as we add new locations and expand our existing locations. With respect to our online programs, we have built sufficient presence to enable us to utilize shared technology and infrastructure. We believe that our continued focus on information systems, operating processes and key performance indicators will permit us to enhance our educational quality, growth and profitability over time.
- *Strong operating cash flow generation.* We historically have generated strong cash flows. We benefit from investments with attractive returns on capital and favorable working capital balances due to advance payment of tuition and fees. In fiscal 2007, we generated cash flows from operations of $179.9 million. Since the Transaction, most of our investments have been made to support growth as well as the infrastructure required to leverage our delivery platforms.

All of these characteristics complement the successful outcomes that we deliver to our students, as reflected in our student persistence and graduate employment rates and in student satisfaction survey data. Approximately 90% of undergraduate students who graduated from our institutions during the calendar year ended December 31, 2006 and were available for employment obtained a position in their field of study or a related field within six months of graduation.

Sponsor Management Agreement

Upon completion of the Transaction, we entered into a Sponsor Management Agreement with affiliates of each of the Sponsors pursuant to which such entities or their affiliates provide management services. Pursuant to such agreement, affiliates of the Sponsors receive an aggregate annual management fee equal to $5.0 million and reimbursement for out-of-pocket expenses incurred by them or their affiliates in connection with the Transaction and in connection with the provision of services pursuant to the agreement. In addition, pursuant to such agreement, affiliates of the Sponsors also received aggregate transaction fees and expenses of approximately $40.7 million in connection with services provided by such entities related to the Transaction. Finally, the Sponsor Management Agreement provides that affiliates of the Sponsors are entitled to receive additional fees as agreed by the parties in connection with certain subsequent financing, acquisition, disposition and change of control transactions based on a percentage of the gross transaction value of any such transaction. The Sponsor Management Agreement includes customary exculpation and indemnification provisions in favor of the Sponsors and their affiliates.

Upon a change of control in our ownership or a public offering of our equity that meets certain conditions, and in recognition of facilitation of such change of control or public offering by affiliates of the Sponsors, these affiliates of the Sponsors may elect to receive, in lieu of annual payments of the management fee, a single lump sum cash payment equal to the then-present value of all then-current and future management fees payable under this agreement, assuming a ten-year term as required by the agreement, and calculated using discount rates equal to the yield on U.S. treasury securities with a maturity on or near the tenth anniversary of the closing date of the Transaction. The lump sum payment would only be payable to the extent that it is permitted under the indentures and other agreements governing our indebtedness.

	Predecessor		Successor			Successor	
	Year Ended June 30, 2005[1]	Period from July 1, 2005 to May 31, 2006	Period from June 1, 2006 to June 30, 2006	Combined 12 Months Ended June 30, 2006[2]	Year Ended June 30, 2007	Three Months Ended September 30, 2006	Three Months Ended September 30, 2007
				(dollars in millions)			
Statement of Operations Data:							
Net revenues	$ 1,019.3	$ 1,095.8	$ 74.4	$ 1,170.2	$ 1,363.7	$ 290.5	$ 361.3
Costs and expenses:							
Educational services	640.4	649.8	64.7	714.5	801.6	184.6	228.2
General and administrative	203.8	273.3	26.0	299.3	314.9	72.8	96.1
Amortization of intangible assets	6.5	4.0	1.7	5.7	19.3	5.1	5.7
Total costs and expenses	850.7	927.1	92.4	1,019.5	1,135.8	262.5	330.0
Income (loss) before interest and income taxes	168.6	168.7	(18.0)	150.7	227.9	28.0	31.3
Interest (income) expense, net	(0.2)	(5.3)	14.1	8.8	168.3	44.0	40.3
Income (loss) before income taxes	168.8	174.0	(32.1)	141.9	59.6	(16.0)	(9.0)
Provision for (benefit from) income taxes	67.2	73.6	(12.4)	61.2	27.2	(6.2)	(3.5)
Net income (loss)	$ 101.6	$ 100.4	$ (19.7)	$ 80.7	$ 32.4	$ (9.8)	$ (5.5)
Statement of Cash Flows Data:							
Net cash flows provided by (used in):							
Operating activities	$ 192.5	$ 301.7	$ (22.5)	$ 279.2	$ 179.9	$ 128.5	$ 185.3
Investing activities	(98.1)	(56.4)	(3,534.0)	(3,590.4)	(110.8)	(22.4)	(33.7)
Financing activities	(39.0)	(43.2)	3,445.5	3,402.3	(41.3)	(163.3)	(93.2)
Other Data:							
EBITDA[3]	$ 252.7	$ 231.6	$ (10.6)	$ 221.0	$ 318.5	$ 50.1	$ 59.6
Capital expenditures[4]	74.9	57.9	7.7	65.6	96.1	22.2	32.8
Enrollment at beginning of fall quarter[5]	66,200	72,500		72,500	80,300		
Campus locations (at period end)[6]	70	71	71	71	78	73	79