CORINTHIAN COLLEGES INC
Form 10-K
September 13, 2005
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 0-25283

CORINTHIAN COLLEGES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**33-0717312**
(State or other jurisdiction of Incorporation or organization)	**(I.R.S. Employer Identification No.)**

6 Hutton Centre Drive, Suite 400, Santa Ana, California

www.cci.edu

(Address of principal executive offices)

92707

(Zip Code)

(714) 427-3000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.0001 par value per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b of the Act.) Yes x No ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of December 31, 2004, the aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately $1.68 billion, based upon the closing sales price of the Common Stock as reported on Nasdaq National Stock Market on such date. For this computation, the Company has excluded the market value of all common stock beneficially owned by all executive officers and directors of the Company and their associates as a group. This determination of affiliate status for purposes of this computation is not necessarily a conclusive determination for other purposes. As of September 2, 2005, the number of outstanding shares of voting and non-voting common equity of the registrant was approximately 91,275,235.

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CORINTHIAN COLLEGES, INC.

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INTRODUCTION AND NOTE ON FORWARD LOOKING STATEMENTS

Corinthian Colleges, Inc. (hereinafter the Company or Corinthian) is a Delaware corporation; its principal executive offices are located at 6 Hutton Centre Drive, Suite 400, Santa Ana, California, 92707.

You should keep in mind the following points as you read this Report on Form 10-K:

- the terms we, us, our or the Company refer to Corinthian Colleges, Inc. and its subsidiaries;
- the terms school, college, campus, university or training center refer to a single location of any school;
- the term institution means a main campus and its additional locations, as such are defined under the regulations of the U.S. Department of Education, which we sometimes refer to herein as the DOE ; and
- our fiscal year ends on June 30; references to fiscal 2005, fiscal 2004 and fiscal 2003 and similar constructions refer to the fiscal year ended on June 30 of the applicable year.

This Annual Report on Form 10-K contains statements which, to the extent they do not recite historical fact, constitute forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward looking statements are used under the captions Business, Governmental Regulation and Financial Aid , Risks Related to Our Business, Management s Discussion and Analysis of Financial Condition and Results of Operations , and elsewhere in this Annual Report on Form 10-K. You can identify these statements by the use of words like may, will, could, should, project, believe, anticipate, expec estimate, forecast, potential, intend, continue, and variations of these words or comparable words. Forward looking statements do not guaran future performance and involve risks and uncertainties. Actual results may differ substantially from the results that the forward looking statements suggest for various reasons, including those discussed under the caption Risks Related to Our Business. These forward looking statements are made only as of the date of this Annual Report on Form 10-K. We do not undertake to update or revise the forward looking statements, whether as a result of new information, future events or otherwise.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company s definitive Proxy Statement for the 2005 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after June 30, 2005, are incorporated by reference into Part III of this report.

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PART I

ITEM 1. BUSINESS

Overview

Our company is one of the largest for-profit, post-secondary education companies in the United States and Canada, with more than 66,100 students enrolled as of June 30, 2005. As of June 30, 2005, we operated 94 colleges in 24 states and 34 colleges and 14 corporate training centers in 7 Canadian provinces, and served the large and growing segment of the population seeking to acquire career-oriented education. Our schools generally enjoy long operating histories and strong franchise value in their local markets.

We offer a variety of diploma programs and associate s, bachelor s and master s degrees through five operating divisions in the U.S. and Canada. Each division is led by a division president with oversight responsibility. Below the post-secondary education division level are regions, each lead by a regional vice president of operations and a regional vice president of admissions, which report to their respective division presidents or division vice presidents of admissions.

As of June 30, 2005, the Corinthian Schools division (CSI) operated 46 primarily diploma-granting schools with curricula primarily in the healthcare, business, electronics and information technology fields. It seeks to provide its students the training required for a variety of entry-level positions. The Titan Schools division (TSI) operated 15 campuses which offer diploma and degree programs in the fields of aircraft, automotive, diesel, marine and motorcycle technologies; information and electronic technologies; and, healthcare. The Rhodes Colleges division (RCI) operated 33 primarily degree-granting colleges and offers curricula principally in healthcare, business, criminal justice, and information technology and electronics. The CDI Education Corporation Post-Secondary Education division (CDI-PS) operated 34 colleges in Canada which offer diploma programs in allied health, business and information technology. The Pegasus division operated 14 corporate training centers in Canada providing onsite, outsourcing and e-learning services for the corporate market in the areas of skills development and management for business and technology professionals. The Pegasus division also operates the Company s two online operations: FMU Online and Everest Online. Our colleges receive strategic direction and operational support from division and regional management and corporate staff.

Historically, we have grown our business through acquisitions as well as through organic growth. Organic growth consists of opening new branch campuses, remodeling, expanding or relocating existing campuses and adopting curricula into existing colleges. Since the Company s formation in 1995, we have acquired 95 colleges and 14 training centers (net of closures and consolidations) and we have opened 33 branch campuses.

Operating Strategy

We have increased our student enrollment and improved profitability through the successful implementation of our operating strategy. Key elements of our operating strategy include the following components:

Emphasize Student Outcomes. We believe that positive student outcomes are a critical component of our long-term success. Accordingly, we devote substantial resources to maintaining and improving our retention and placement rates. Modest increases in student retention can have a significant impact on our profitability, and high graduation and placement rates enhance a school s reputation and the marketability of its programs, and increase referrals. We have implemented a variety of programs, including orientation and tutoring, academic and personal advising, ride-sharing and referral programs, all of which are designed to improve student retention to assist our students in achieving their career goals. We utilize a curriculum development team comprised of campus representatives, corporate program directors and textbook publishers, which is assisted by advisory boards comprised of local business professionals to help ensure that our curricula provide our students with the skills required by employers. We also maintain dedicated, full-time placement personnel at our schools that undertake

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extensive placement efforts, including identifying prospective employers, helping students prepare resumes, conducting practice interviews, establishing internship programs and tracking students placement success on a monthly basis.

Create a Supportive and Friendly Learning Environment. We view our students as customers and seek to provide a supportive and convenient learning environment where student satisfaction is achieved. We offer a flexible schedule of classes, providing our students with the opportunity to attend classes throughout the day, as well as nights and weekends. Schools operate year-round, permitting students to complete their course of study quickly. We maintain small average class sizes and focus the efforts of our faculty on teaching students rather than research. Personal interaction between students and faculty is encouraged and we offer several support programs, such as on-campus advising and tutoring, which are designed to help students successfully complete their course of study. We also maintain a toll-free student hotline to address and help resolve student concerns.

Focus on Attractive Markets. We design our educational programs to benefit from favorable demographic trends. Our diploma-granting colleges provide programs in healthcare, business, and technology related fields, allowing us to capitalize on the growth in job opportunities in these industries. Our degree-granting colleges, with their business focus, modern facilities and equipment, and excellent faculty, seek to provide students with specific knowledge and skills necessary to advance in business and industry. Our geographic strategy is to build a strong competitive position in attractive and growing local markets where we can take advantage of operating efficiencies and benefit from favorable demographic trends.

Centralize Key Functions. In order to capitalize on the experience of our senior management team and to encourage best practices, we have established a regional management organization consisting of local school administrators, regional vice presidents of operations and admissions, and division presidents, which are supported by centralized functions supervised by senior management at our corporate headquarters.

Local school administrators retain control of the day-to-day operations of their individual schools. Local school administrators are assisted by and receive oversight from regional vice presidents and division presidents and their respective support teams. The corporate management team controls key operational functions such as accounting, information technology, financial aid management, marketing, curriculum development, staff training, the call center, legal, treasury, internal audit, human resources, payroll, and purchasing, which we believe enables us to achieve significant operating efficiencies. For example, our corporate management team controls the marketing and advertising function and utilizes our information technology systems to analyze the effectiveness of our marketing efforts and to make timely and efficient decisions regarding the allocation of marketing resources to individual colleges.

Growth Strategy

We intend to achieve continued growth in revenues through a strategy of:

Enhance Growth at Existing Campuses.

Curriculum Expansion and Development. We have acquired, developed, and refined curricula based on market research and recommendations from our faculty, advisory board members and our curriculum development team. We believe considerable opportunities exist for curriculum adoption and we expect to continue to acquire and develop new curricula and selectively adopt existing curricula into both existing and new locations. In fiscal 2005, we successfully adopted 71 programs into existing U.S. schools and 32 programs into existing Canadian schools.

Integrated and Centralized Marketing Program. We have increased student enrollment by employing an integrated marketing program that utilizes an extensive direct response advertising campaign delivered through television, newspaper, direct mail and the Internet. A professional marketing staff at our headquarters coordinates marketing efforts with advertising agencies and utilizes our in-bound call center and our leads tracking capability.

Facilities Enhancement and Expansion. We remodel, expand and relocate our existing colleges to ensure we have sufficient capacity to meet our expected enrollment demand, as well as to improve the location and appearance of our facilities. We expect to continue to systematically remodel and relocate selected colleges within their respective markets. Since 2001, 27 colleges have been relocated and an additional 98 campuses have been either remodeled or enlarged. We believe modern attractive education environments enhance our students learning experience. During fiscal 2005, we remodeled, relocated, or expanded 42 colleges. As of June 30, 2005, the total square footage of all our properties was approximately 4.6 million square feet.

Establish Additional Locations.

Since our initial public offering in February 1999, we have opened and integrated 33 branch campuses into our operations. Of the 33 branch campuses, 2 were opened in each of fiscal 1999 and fiscal 2000, 4 were opened in each of fiscal 2001 and fiscal 2002, 6 were opened in fiscal 2003, 10 were opened in fiscal 2004 and 5 were opened in fiscal 2005. A key advantage of this strategy is that students attending new campuses branched from existing campuses have immediate access to federally funded student financial aid. We believe that opening new branch campuses will allow us to enter new geographic markets, create additional capacity in existing markets and effectively leverage our infrastructure and our extensive investment in curricula.

Make Strategic Acquisitions.

Since our founding in 1995, acquisitions have been an important part of our growth strategy. Of the 128 campuses and 14 training centers operated as of June 30, 2005, 95 colleges and 14 training centers have been acquired (net of closures and consolidations). The majority of our acquisitions occurred prior to fiscal 2005. During fiscal 2005, we acquired 1 college, American Motorcycle Institute (AMI). To evaluate acquisition opportunities, we have established several criteria, such as demographics, curricula, geographic proximity to our existing campuses and selected rigorous financial measurements. Since our founding in 1995, we have closed or consolidated 20 campuses and training centers.

Expand On-line Education

Online education, or education delivered via the Internet, has become an increasingly important component of the higher education market. We offer online learning to two categories of students: exclusively online students and students attending traditional classroom while supplementing their education with one or more online courses. During fiscal 2005, we experienced a significant increase in the number of students taking our online courses through the Internet. Our online learning participation increased by 49% to 64,134 course registrations in fiscal 2005. As of June 30, 2005, we offered 243 online courses through 30 campuses. Additionally, we offer all the courses necessary to complete master s degrees in business administration and criminal justice entirely online. We offer 17 accredited degrees to students enrolled in exclusively online studies.

In fiscal 2006, we expect to continue to grow our online education by increasing the number of courses offered and expanding the type of degrees and programs offered online. Although the majority of our students participating in online learning also attend traditional classes at one of our degree-granting colleges, in fiscal 2002, we began enrolling exclusively online students through our Florida Metropolitan University (FMU) colleges and, as of June 30, 2005, we had approximately 3,395 exclusively online students. Additionally, in the fourth quarter of 2005 we started Everest Online through our Everest College in Phoenix, Arizona, which is regionally-accredited and offers associate degrees in business, accounting and criminal justice and a bachelor s degree in criminal justice.

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Programs of Study

Our diploma programs are intended to provide students with the requisite knowledge and job skills for entry-level positions in their chosen career. Our degree programs are primarily designed for career-oriented adults and to assist them in enhancing their functional and professional skills. Our curriculum development team is responsible for maintaining high quality, market driven curricula. Our colleges also utilize advisory boards to help evaluate and improve the curriculum for each program offered. These advisory boards are required to meet at least twice a year and are comprised of local industry and business professionals. Advisory board members provide valuable insight regarding changes in programs and suggest new technologies and other factors that may enhance curriculum.

Among the diploma-granting colleges, the curricula principally includes medical assisting, dental assisting, information technology, medical administrative assisting, surgical technology, massage therapy, pharmacy technician, medical insurance billing and coding, nursing, aircraft frame and power plant maintenance technology, automotive and diesel technology, HVAC, and electronics and computer technology. The curriculum at our degree-granting colleges includes accounting, business administration, computer information technology, hospitality management, marketing, criminal justice, medical assisting, paralegal, court reporting, legal assisting, and film and video. Most programs lead to an associate s degree. At our FMU campuses, most associate s degree programs also articulate with a bachelor s degree in the same course of study. Master s degrees are also offered at FMU in business administration and criminal justice.

Diploma programs generally have a duration of 6-19 months, depending on the course of study. Associate s degree programs have a duration of 18-24 months, bachelor s degree programs have a duration of 36-48 months and master s degree programs have a duration of 21 months. As of June 30, 2005, we had 38,611 students (60%) enrolled in diploma programs, 23,294 (35%) students enrolled in associate s programs 3,156 students (4%) enrolled in bachelor s programs and 1,053 students (1%) enrolled in master s programs.

The following table reflects our schools, locations, date acquired or opened, principal curricula, institutional accrediting agency, expiration of the current grant of accreditation, and square footage as of June 30, 2005. In the table below, programs offered are designated as follows: healthcare (HC), business (B), information technology and electronics (IT), criminal justice (CJ), automotive and diesel technology (AT) and other miscellaneous programs (OTH)(1).

U.S. Schools and Colleges	Date Acquired/Opened	Primarily Degree/Diploma Granting	Principal Curricula	Accrediting Agency	Expiration of the current grant of Accreditation	Square Footage
AMI Institute, Daytona Beach, FL	08/04/2004	Diploma	OTH	ACCET (6)	04/01/2007	43,879
Ashmead College, Everett, WA	08/04/2003	Diploma	HC	ACCET	04/15/2007	11,606
Ashmead College, Fife, WA	08/04/2003	Diploma	HC	ACCET	04/15/2007	16,008
Ashmead College, Tigard, OR	08/04/2003	Diploma	HC	ACCET	04/15/2007	20,646
Ashmead College, Seattle, WA	08/04/2003	Diploma	HC	ACCET	04/15/2007	24,623
Ashmead College, Vancouver, WA	08/04/2003	Diploma	HC	ACCET	04/15/2007	17,961
Blair College, Colorado Springs, CO	10/01/1996	Degree	HC, B, IT, CJ, OTH	ACICS (7)	12/31/2006	30,500
Bryman College, Alhambra, CA	01/01/1996	Diploma	HC, B	ACCSCT (8)	08/01/2007	42,222
Bryman College, Anaheim, CA	07/01/1995	Diploma	HC	ACCSCT	04/01/2007	31,940
Bryman College, City of Industry, CA	10/01/2000	Diploma	HC, B	ACCSCT	08/01/2005	39,373
Bryman College, Everett, WA	08/04/2003	Diploma	HC	ACICS	12/31/2006	24,244
Bryman College, Gardena, CA	01/01/1996	Diploma	HC	ACCSCT	05/01/2007	26,463
Bryman College, Hayward, CA	09/01/2001	Diploma	HC, B	ACCSCT	10/01/2006	20,000

Bryman College, Los Angeles, CA	01/01/1996	Diploma	HC	ACCSCT	11/01/2005	22,591
Bryman College, Lynnwood, WA	06/02/2002	Diploma	HC	ACCSCT	06/01/2009	24,843
Bryman College, New Orleans, LA	10/01/1995	Diploma	HC	ACCSCT	11/01/2006	19,939
Bryman College, Ontario, CA	10/01/2000	Diploma	HC, B	ACCSCT	10/01/2008	34,032

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U.S. Schools and Colleges	Date Acquired/Opened	Primarily Degree/Diploma Granting	Principal Curricula	Accrediting Agency	Expiration of the current grant of Accreditation	Square Footage
Bryman College, Port Orchard, WA	08/04/2003	Diploma	HC	ACICS	12/31/2006	27,684
Bryman College, Renton, WA	07/01/1996	Diploma	HC	ACCSCT	05/01/2007	41,760
Bryman College, Reseda, CA	07/01/1995	Diploma	HC	ACCSCT	11/01/2006	33,686
Bryman College, San Bernardino, CA	07/01/1995	Diploma	HC, B	ACICS	12/31/2005	35,950
Bryman College, San Francisco, CA	10/01/1995	Diploma	HC	ACCSCT	05/01/2007	30,691
Bryman College, San Jose, CA	10/01/1995	Diploma	HC	ACCSCT	01/01/2008	27,906
Bryman College, St. Louis, MO	03/31/2005	Diploma	HC	ACICS	10/31/2006	30,000
Bryman College, Tacoma, WA	08/04/2003	Diploma	HC	ACICS	12/31/2006	30,704
Bryman College, Torrance, CA	01/01/2000	Diploma	HC	ACCSCT	05/04/2009	7,399
Bryman College, West Los Angeles, CA	10/01/2000	Diploma	HC, B, OTH	ACCSCT	05/01/2009	31,340
Bryman Institute, Brighton, MA	01/01/1996	Diploma	HC	ACCSCT	11/01/2006	26,022
Bryman Institute, Chelsea, MA	03/30/2004	Diploma	HC	ACCSCT	04/05/2006	30,527
Bryman Institute, Columbus, OH	09/07/2004	Diploma	HC	ACCSCT	10/13/2006	28,341
Bryman Institute, Eagan, MN	06/17/2004	Diploma	HC	ACCSCT	06/16/2006	23,740
Duff s Business Institute, Pittsburgh, PA	10/01/1996	Degree	HC, B, IT, CJ	ACICS	12/31/2009	39,090
Everest College, Fort Worth, TX	08/24/2004	Degree	HC, B	ACICS	02/28/2006	32,837
Everest College, Phoenix, AZ	06/01/2000	Degree	B, IT, CJ	NCA (9)	2007-2008	35,743
Everest College, Rancho Cucamonga, CA	01/01/2001	Degree	B, IT, CJ	ACICS	12/31/2008	28,556
Everest College, Mid Cities, TX	06/09/2003	Degree	B, IT, CJ	ACICS	12/31/2006	21,500
Everest College, Dallas, TX	02/03/2003	Degree	B, IT, CJ	ACICS	12/31/2007	22,934
Everest Institute, Silver Spring, MD	02/08/2005	Diploma	HC	ACICS	06/30/2006	30,752
FMU, Brandon, FL	10/01/1996	Degree	HC, B, IT, CJ	ACICS	12/31/2006	49,368
FMU, Pompano Beach, FL		Degree	HC, B, IT, CJ, OTH	ACICS	12/31/2009	53,140
FMU, Jacksonville, FL	07/01/2000	Degree	HC, B, IT, CJ	ACICS	12/31/2007	27,775
FMU, Lakeland, FL	10/01/1996	Degree	HC, B, IT, CJ	ACICS	12/31/2007	30,428
FMU, Melbourne, FL (4)	10/01/1996	Degree	HC, B, IT, CJ, OTH	ACICS	12/31/2007	25,819
FMU, Orange Park-Jacksonville, FL	03/03/2004	Degree	HC, B, CJ	ACICS	06/30/2005(2)	28,000
FMU, Orlando (North), FL	10/01/1996	Degree	HC, B, IT, CJ, OTH	ACICS	12/31/2007	46,009
FMU, Orlando (South), FL	10/01/1996	Degree	HC, B, IT, CJ	ACICS	12/31/2007	59,927
FMU, Pinellas, FL	10/01/1996	Degree	HC, B, IT, CJ	ACICS	12/31/2007	33,848
FMU, Tampa, FL (4)	10/01/1996	Degree	HC, B, IT, CJ, OTH	ACICS	12/31/2006	39,432
Georgia Medical Institute, Atlanta, GA	04/01/2000	Diploma	HC	ABHES (10)	12/31/2004(2)	29,373
Georgia Medical Institute, Dekalb, GA	05/01/2000	Diploma	HC, B	ACCSCT	08/01/2005(2)	18,000

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U.S. Schools and Colleges	Date Acquired/Opened	Primarily Degree/Diploma Granting	Principal Curricula	Accrediting Agency	Expiration of the current grant of Accreditation	Square Footage
Georgia Medical Institute, Jonesboro, GA	04/01/2000	Diploma	HC	ABHES	12/31/2004(2)	35,695
Georgia Medical Institute, Marietta, GA	04/01/2000	Diploma	HC	ABHES	12/31/2004(2)	24,959
Georgia Medical Institute, Norcross, GA	03/31/2003	Diploma	HC	ACCSCT	03/01/2005(2)	19,397
Kee Business College, Chesapeake, VA	03/01/1999	Diploma	HC, B	ACICS	12/31/2004(2)	26,920
Kee Business College, Newport News, VA	10/01/1995	Diploma	HC, B	ACICS	12/31/2004(2)	16,215
Las Vegas College, Henderson, NV	12/18/2003	Degree	B, CJ	ACICS	06/30/2005	31,578
Las Vegas College, Las Vegas, NV	10/01/1996	Degree	HC, B, IT, CJ	ACICS	12/31/2009	36,070
Mountain West College, Salt Lake City, UT	10/01/1996	Degree	HC, B, IT, CJ, OTH	ACICS	12/31/2004(2)	39,426
National Institute of Technology, Austin, TX	10/02/2002	Diploma	HC, B, IT	ACCSCT	11/07/2009	51,933
National Institute of Technology, Cross Lanes, WV	07/01/1995	Diploma	HC, B, IT	ACCSCT	11/01/2006	26,750
National Institute of Technology, Dearborn, MI	03/01/2001	Diploma	HC, IT	ACCSCT	03/01/2008	32,456
National Institute of Technology, Detroit, MI	12/23/2003	Diploma	HC	ACCSCT	01/01/2006	23,676
National Institute of Technology, Houston (Greenspoint), TX	01/01/2000	Diploma	HC, B	ACCSCT	02/07/2007	23,648
National Institute of Technology, Houston (Bissonet), TX	06/30/2004	Diploma	HC	ACCSCT	07/16/2006	28,494
National Institute of Technology, Houston (Hobby), TX	12/01/2001	Diploma	HC, B	ACCSCT	08/01/2008	26,382
National Institute of Technology, Houston (Galleria), TX	04/01/1999	Diploma	HC, B, IT	ACCSCT	11/01/2005	20,585
National Institute of Technology, Long Beach, CA	10/01/2000	Diploma	HC, B, IT, OTH	ACCSCT	07/01/2008	92,435
National Institute of Technology, San Antonio, TX	07/01/1995	Diploma	HC, B, IT	ACCSCT	08/01/2006	60,245
National Institute of Technology, Southfield, MI	01/01/1996	Diploma	HC, B, IT	ACCSCT	02/01/2008	34,806
National School of Technology, Ft. Lauderdale, FL	09/30/2003	Degree	HC	ABHES	12/31/2007	34,500
National School of Technology, N. Miami Beach, FL	04/01/2002	Degree	HC	ABHES	12/31/2007	37,468
National School of Technology, Hialeah, FL	04/01/2002	Degree	HC	ABHES	12/31/2007	24,576
National School of Technology, Kendall, FL	04/01/2002	Degree	HC	ABHES	12/31/2007	29,354
Olympia Career Training Institute, Grand Rapids, MI	02/02/2001	Diploma	HC, IT	ABHES	12/31/2005(2)	29,270
Olympia Career Training Institute, Kalamazoo, MI	02/01/2001	Diploma	HC	ABHES	2/31/2005(2)	17,616
Olympia College, Burr Ridge, IL	07/02/2002	Diploma	HC	ACCSCT	10/15/2009	30,100
Olympia College, Chicago, IL	06/26/2003	Diploma	HC	ACCSCT	07/10/2005(2)	47,356
Olympia College, Merrillville, IN	02/01/2001	Diploma	HC	ABHES	12/31/2005(2)	31,395
Olympia College, N. Aurora, IL	02/01/2005	Diploma	HC	ACCSCT	04/07/2007	38,538
Olympia College, Skokie, IL	05/01/2001	Diploma	HC	ACCSCT	01/01/2005(2)	36,066
Parks College, Aurora, CO	10/01/1996	Degree	HC, B, IT, CJ, OTH	ACICS	12/31/2008	33,000

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U.S. Schools and Colleges	Date Acquired/Opened	Primarily Degree/Diploma Granting	Principal Curricula	Accrediting Agency	Expiration of the current grant of Accreditation	Square Footage
Parks College, Arlington, VA	01/02/2002	Degree	B, IT, CJ	ACICS	12/31/2008	16,619
Parks College, McLean, VA	06/02/2004	Degree	HC, B, CJ, OTH	ACICS	10/31/2005	28,677
Parks College, Thornton, CO (4)	10/01/1996	Degree	HC, B, IT, CJ, OTH	ACICS	12/31/2008	25,908
Rochester Business Institute, Rochester, NY	10/01/1996	Degree	B, IT, CJ	ACICS	12/31/2006	43,674
Springfield College, Springfield, MO	10/01/1996	Degree	HC, B, IT, CJ	ACICS	12/31/2008	28,734
Western Business College, Vancouver, WA	10/01/1996	Degree	HC, B, IT, CJ	ACICS	12/31/2007	23,036
Western Business College, Portland, OR	10/01/1996	Degree	HC, B, IT, CJ, OTH	ACICS	12/31/2007	35,479
Wyo-Tech, Boston, MA	08/06/2003	Diploma	OTH	ACCSCT	07/01/2007	45,281
Wyo-Tech, Blairsville, PA (5)	07/01/2002	Degree	AT	ACCSCT	10/15/2008	171,842
Wyo-Tech, Fremont, CA	08/07/2003	Degree	AT, OTH	ACCSCT	02/01/2006	96,463
Wyo-Tech, Laramie, WY	07/01/2002	Degree	AT	ACCSCT	11/31/2009	413,277
Wyo-Tech, Oakland, CA	03/18/2004	Diploma	OTH	ACCSCT	02/12/2006	32,471
Wyo-Tech, Sacramento, CA	01/27/2004	Degree	AT	ACCSCT	01/01/2006	162,780
Corporate Offices						
Santa Ana, CA						127,289
Gulfport, MS						3,021
Tampa, FL						61,301
Washington, DC						2,362
Total Square Footage for U.S. Properties						**3,868,274**

Canadian Schools and Colleges	Opened/Acquired	Degree/Diploma Granting	Principal Curricula	Square Footage
CDI, Abbotsford, British Columbia	08/19/2003	Diploma	B	13,600
CDI, Barrie, Ontario	08/19/2003	Diploma	HC, B	14,280
CDI, Brampton, Ontario	08/19/2003	Diploma	HC, B	15,581
CDI, Burnaby, British Columbia	08/19/2003	Diploma	HC, B	25,852
CDI, Calgary (City Center), Alberta	08/19/2003	Diploma	B, CJ, OTH	29,448
CDI, Calgary (North), Alberta	08/19/2003	Diploma	HC, B	12,025
CDI, Edmonton (City Center), Alberta	08/19/2003	Diploma	B, CJ, HC	17,044
CDI, Edmonton (North), Alberta	08/19/2003	Diploma	HC, IT	10,918
CDI, Edmonton (South), Alberta	08/19/2003	Diploma	B	10,155
CDI, Halifax, Nova Scotia (3)	08/19/2003	Diploma	IT, HC	8,000
CDI, Hamilton (Mountain), Ontario	08/19/2003	Diploma	HC	18,500
CDI, Hamilton (City Center), Ontario	08/19/2003	Diploma	B	7,805
CDI, Kitchener, Ontario	08/19/2003	Diploma	B, HC	12,600
CDI, Laval, Quebec	08/19/2003	Diploma	HC, IT	15,143
CDI, London, Ontario	08/19/2003	Diploma	HC	12,244
CDI, Mississauga, Ontario	08/19/2003	Diploma	HC, B	30,426
CDI, Montreal, Quebec	08/19/2003	Diploma	HC	23,162
CDI, Newmarket, Ontario	08/19/2003	Diploma	HC	14,115
CDI, North Fork Ontario	08/19/2003	Diploma	HC, B, CJ	17,983
CDI, Ottawa (West-Nepean), Ontario	08/19/2003	Diploma	HC, B, IT	17,410
CDI, Ottawa (East), Ontario (3)	08/19/2003	Diploma	HC, B	36,000
CDI, Quebec City, Quebec	08/19/2003	Diploma	HC	10,000
CDI, Saskatoon, Saskatchewan	08/19/2003	Diploma	IT	15,795
CDI, Sudbury, Ontario	08/19/2003	Diploma	B, HC	32,602

CDI, Surrey, British Columbia	08/19/2003	Diploma	HC, IT, B	20,951
CDI, Toronto (East), Ontario	08/19/2003	Diploma	HC	17,555
CDI, Toronto (South) Ontario	08/19/2003	Diploma	HC	29,019
CDI, Toronto (Central), Ontario	08/19/2003	Diploma	B	25,165
CDI, Thunder Bay, Ontario	08/19/2003	Diploma	HC, B	10,834
CDI, Vancouver, British Columbia	08/19/2003	Diploma	IT, B	10,602
CDI, Victoria (Bay Centre), British Columbia(11)	08/19/2003	Diploma	HC	17,901

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Canadian Schools and Colleges	Opened/Acquired	Degree/Diploma Granting	Principal Curricula	Square Footage
CDI, Victoria (Fort St.), British Columbia (11)	08/19/2003	Diploma	IT	10,586
CDI, Windsor, Ontario	08/19/2003	Diploma	HC, B	9,757
CDI, Winnipeg, Manitoba	08/19/2003	Diploma	B	24,300
Corporate Education Training Centers:				
CDI, Calgary, Alberta	08/19/2003			10,790
CDI, Edmonton, Alberta	08/19/2003			9,561
CDI, Ottawa, Ontario	08/19/2003			8,891
CDI, Mississauga, Ontario	08/19/2003			6,237
CDI, Montreal, Quebec	08/19/2003			8,904
CDI, North York, Ontario	08/19/2003			20,126
CDI, Ottawa, Ontario	08/19/2003			3,044
CDI, Kitchener, Ontario	08/19/2003			4,707
CDI, Regina, Saskatchewan	08/19/2003			7,842
CDI, Quebec City, Quebec	08/19/2003			2,775
CDI, Toronto, Ontario	08/19/2003			13,376
CDI, Vancouver, British Columbia	08/19/2003			10,675
CDI, Victoria, British Columbia	08/19/2003			2,481
CDI, Winnipeg, Manitoba	08/19/2003			5,007
CDI Corporate Headquarters	8/19/2003			32,903
Total Square Footage for Canadian Properties				744,677
Total Square Footage for All Properties	08/19/2003			4,612,951

(1) OTH means Other and includes programs such as hotel and restaurant management, travel and hospitality, and video/film production as well as other miscellaneous programs.
(2) Pending re-accreditation approval.
(3) This location shared space with a corporate education training center.
(4) Indicates owned properties.
(5) Leased portion is approximately 79,900 and owned portion is approximately 140,762.
(6) Accrediting Council for Continuing Education and Training
(7) Accrediting Council for Independent Colleges and Schools
(8) Accrediting Commission of Career Schools and Colleges of Technology
(9) North Central Association
(10) Accrediting Bureau of Health Education Sciences
(11) Two locations, but operated by one management team as a single institution.

We also operate 14 corporate education training centers in Canada (listed above) which provide a wide range of IT education and customized training services to experienced IT professionals employed by some of Canada s largest companies and government departments.

Marketing and Recruitment

We employ a variety of methods to attract qualified applicants who will benefit from our programs and achieve success in their chosen careers. We believe prospective students are attracted to our schools due to their excellent reputations and the long operating histories of many of our schools within their respective communities. This value, along with the quality of the programs offered, has enabled us to generate significant new student enrollments from referrals. For the year ended June 30, 2005, approximately 29% of our new student enrollments in the U.S. and Canada came from referrals.

We also employ a variety of direct response marketing techniques to generate leads of potential applicants for our schools. Our marketing department generated more than 1.5 million leads in the United States and Canada in fiscal 2005, primarily through television, direct mail, newspaper, internet and yellow pages. The effectiveness of these marketing campaigns is dependent upon timely and accurate lead tracking. To that end, we operate a call center for our U.S. campuses at our main office in California, as well as an outsourced overflow call center, and we have an outsourced call center in Canada for our Canadian operations.

The call centers are staffed by a team of operators who receive incoming calls from prospective students attracted to our programs. These trained operators enter relevant data on each prospect into our management information system during the call and then transfer the prospective student to the appropriate school. Additionally, one of our outsourced call centers places out-bound calls to prospective students who did not call our call center and immediately transfers those prospective students to a school admission representative at the appropriate school. In both cases, the school admissions representative is able to immediately begin the admissions process with the prospective student.

We also changed our processing of internet leads during fiscal 2005 and are now applying more effective technology filters to eliminate non-useable leads. The technology we are using for processing internet leads allows us to make sure that we are only working and paying for real internet leads.

Our marketing agencies in the U.S. and Canada have access to our management information database and are provided with real time information on the effectiveness of individual campaigns. This allows them to identify leads generated by specific commercials and spot times. The agencies consult with our marketing department to adjust schedules for advertisements depending on our needs and the effectiveness of the particular advertisements. Since more than 62% of our marketing budget is spent on television and newspaper advertisements, the availability of timely and accurate lead information is critical to the leads generation process. For the year ended June 30, 2005, approximately 32% of our new student enrollments were generated through television, newspaper and yellow pages marketing, 29% were generated through referrals, 21% were generated from the Internet, 5% were generated through direct mail, and 13% were generated through a variety of other methods.

Admissions

As of June 30, 2005, we employed approximately 1,100 admissions representatives in the U.S. and Canada who work directly with prospective students to facilitate the admissions process. These representatives interview and advise students interested in specific careers and are a key component of our effort to generate interest in our educational services. We conduct quarterly student satisfaction surveys at our campuses in the United States in which students have consistently given high marks to our admissions personnel for helpfulness, courtesy and accuracy of information. Because our success is highly dependent on the efficiency and effectiveness of our admissions process, we invest considerable resources to train our admissions representatives in product knowledge, regulatory compliance, and customer service. We also employ various admissions supervisory and monitoring programs, and conduct student surveys which help us ensure compliance with both government regulations and our corporate policies.

One of our objectives in the admissions process is to identify students who have appropriate qualifications to succeed in our schools. Candidates for admission into most of our degree-granting colleges must have either a high school diploma or a GED and the majority of prospective students must pass a standardized admissions test. In addition, most of our colleges in the United States accept non-high school graduates who can demonstrate an ability to benefit (ATB students) from the program by passing certain tests which are required by the U.S. Department of Education (DOE). We believe that ATB students can successfully complete many of our diploma programs and our colleges have demonstrated success in graduating and placing these students over the years. As of June 30, 2005, ATB students accounted for approximately 9.5% of total enrollments in our U.S. schools.

Placement

Graduate placement outcomes are critical to our colleges reputations and their ability to continue to successfully recruit new students. We maintain a placement department at each college and, as of June 30, 2005, employed approximately 332 individuals in this capacity. We require our career services personnel to work with students from the time they begin their courses of study until they are successfully placed in jobs for which they are trained. Our placement departments assist students with resumes, help them develop a professional demeanor, conduct practice interview sessions, and identify prospective employers for the colleges graduates. Overall, we believe the efforts we devote to place our graduates have achieved excellent results.

Our colleges endeavor to obtain information regarding their students employment following graduation. The reliability of that information depends, to a large extent, on the completeness and accuracy of the data provided to our colleges by graduates and their employers. Based on information received from these people, we believe that approximately 79.4% of our graduates in calendar year 2004 who were available for placement have been placed in a job for which they were trained. The various accrediting agencies and, as applicable, state and provincial regulatory authorities, evaluate placement rates by individual institution and program, and have different requirements regarding which students are considered available for placement. In defining the graduate cohort group for the purpose of calculating placement rates, certain accrediting agencies and state and provincial regulatory authorities may exclude, for example, graduates who are continuing their education, are in active military service or are deceased or disabled, and foreign students who are ineligible to work in the U.S. after graduation. Where applicable, we have also excluded those graduates in our calculation of students available for placement and the graduate placement rate.

Tuition

Typical tuition rates for our diploma programs in the U.S. and Canada range from $5,000 to $27,000, depending upon the nature and length of the program. Tuition for degree programs is charged on a credit hour basis and varies by college, typically ranging from $235 to $330 per undergraduate credit hour, depending upon the program of study. Tuition for graduate programs ranges from $390 to $435 per credit hour. On average, an undergraduate degree candidate can expect tuition of approximately $9,200 per academic year, while a master s degree candidate can expect tuition of approximately $9,700 per academic year. In addition to tuition, students may be required to purchase textbooks and other supplies as part of their educational programs. We anticipate increasing tuition based on the market conditions prevailing at our individual colleges.

If a student fails to complete the period of enrollment (such as a quarter, trimester, semester, academic year, or program), the institution may be required to refund tuition previously collected to the originating or disbursing agency. Refunds are calculated in accordance with the applicable federal, state, provincial or institutional refund policies.

Campus Administration

We establish policy at our corporate office, implement these policies, and monitor the performance of our schools through the coordination of the executive vice president of operations, the division presidents, our regional vice presidents of operations, the regional vice presidents of admissions and their respective support staffs and through our internal audit department. The college presidents have the responsibility for the day-to-day operation of the schools. Each U.S. college generally employs the following management personnel which report to the college president:

- an academic dean or education director;
- an admissions director;

- a career services director;
- a finance director, and
- a business manager (where total students enrolled justify this level of support).

Our schools in Canada typically employ a smaller management team structure that will grow as each school expands capacity.

Corporate personnel manage several key functions, including accounting, information technology, financial aid management, marketing, curriculum development, staff training, the call center, legal, treasury, internal audit, human resources, payroll, purchasing, and provide academic and instructional support for online learning. Among the principal oversight functions performed by corporate personnel (in cooperation with our division, region and college management) are the annual operating budget, strategic planning and forecasting processes. These processes establish goals for each college, assist in implementing strategies and establish performance expectations and corresponding incentives. Our senior management team monitors operating performance and profitability of each college using our information systems and has established periodic communication with the college presidents to review key performance indicators such as lead flow, starts, student population, and other operating results to determine the proper course of action.

Competition

The post-secondary education market in the United States, consisting of approximately 6,600 accredited institutions, is highly fragmented and competitive, with no institution having a significant market share. Many of the programs offered by our colleges are also offered by public and private non-profit institutions, as well as by many of the approximately 2,500 private, for-profit colleges and schools. The post-secondary education market in Canada is, we believe, also highly fragmented. Typically, the tuition charged by public institutions is less than tuition we charge for comparable programs because public institutions receive state subsidies, donations and government research and other grants that are not available to our colleges. However, tuition at other private non-profit institutions is often higher than the tuition charged at our colleges.

We compete in most markets with other private, for-profit institutions offering similar programs. We believe the long operating history of many of our colleges, the qualifications of our faculty, our facilities, and our emphasis on student services and placement allows us to compete effectively. In addition, many of our colleges have been operating in their markets for many years, which has led to a substantial number of graduates who are working in the community and validate the quality of the colleges programs. For example, the Bryman Colleges have been well known in the healthcare education field in California for over 40 years, our Duff s College in Pittsburgh opened over 150 years ago, and our FMU Tampa campus has operated in Florida for over 100 years.

Facilities

Our corporate office is located in Santa Ana, California and our 128 campuses and 14 training centers, as of June 30, 2005, are located in 24 states and 7 Canadian provinces. Each campus provides our students with lecture halls, instructional labs, libraries, Internet access and other facilities.

We actively monitor the capacity at our facilities and the expected future facilities capacity required to accommodate campus growth initiatives. We provide for expansion and future growth at each campus through relocations to larger facilities and by expanding or remodeling existing facilities. From the beginning of fiscal 2001 through fiscal 2005, approximately 19% of the campuses have been relocated and an additional 69% of total campuses have been either expanded or remodeled. The following table reflects the number of campuses added, closed or combined, and the number of campuses that have been relocated, enlarged or remodeled during each of the last five fiscal years ended:

	2001	2002	2003	2004	2005
Opened					
Acquired	9	3	4	72	1

Branched	4	4	6	10	5
Closed or combined	1	2	0	5	12
Total campuses/training centers at year end	56	61	71	148	142
Relocated	3	6	3	5	10
Enlarged or remodeled	9	10	17	30	32

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All but three of our facilities are leased. In addition, we lease our headquarters offices. Most of our leases have primary terms between 5 and 10 years with options to extend the lease, at our election.

Management and Employees

Our company is led by David G. Moore, Chairman of the Board, and Jack D. Massimino, President and Chief Executive Officer. They are assisted by the other executive officers of the Company: Beth A. Wilson, Kenneth S. Ord , William B. Buchanan, Mary H. Barry, Mark L. Pelesh, Robert C. Owen, and, Stan A. Mortensen. In addition to the executive officers, our management team includes other vice presidents and senior vice presidents who provide supervision of various functional areas and the presidents of our operating divisions. As of June 30, 2005, we had approximately 8,185 employees in the U.S. and Canada, of whom approximately 3,200 were part-time and approximately 470 were employed at or assigned to our corporate headquarters and regional offices.

Faculty

The faculty members at our colleges are industry professionals and hold appropriate credentials in their respective disciplines. We choose faculty who possess the requisite academic and experiential qualifications and who we believe will be successful in working with our students and encourage them to pursue professional development activities to enhance their functional and classroom skills. We believe the skill and dedication of our faculty is critical to the academic and professional success of our students. As of June 30, 2005, we employed 4,353 faculty in the United States and Canada, 1,462 of whom were full-time employees. Faculty represents approximately 47% of our employees.

Available Information

Free copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed with the Securities and Exchange Commission (SEC) may be obtained through our website at www.cci.edu, or by contacting our investor relations department. Our website address is provided solely for informational purposes. We do not intend, by this reference, that our website or any of the information contained therein should be deemed to be part of, or incorporated into, this Annual Report.

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EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the name, ages, titles and present and past positions of the persons serving as executive officers of the Company as of September 2, 2005:

Name	Age	Position
David G. Moore	66	Chairman of the Board
Jack D. Massimino	56	President and Chief Executive Officer
Beth A. Wilson	53	Executive Vice President, Operations
Kenneth S. Ord	59	Executive Vice President and Chief Financial Officer
William B. Buchanan	39	Executive Vice President, Marketing
Mary H. Barry	56	Executive Vice President and Chief Compliance Officer
Mark L. Pelesh	51	Executive Vice President, Legislative and Regulatory Affairs
Stan A. Mortensen	38	Senior Vice President, General Counsel and Corporate Secretary
Robert C. Owen	44	Senior Vice President and Chief Accounting Officer

David G. Moore is one of the founders of our company and has served a member of our board of directors, since our inception in July 1995. He was elected the Chairman of the Board in August of 2001. Immediately prior to forming our company, he was President of National Education Centers, Inc. (NECI), a subsidiary of National Education Corporation. From 1992 to 1994, Mr. Moore served as President of DeVry Institute of Technology in Los Angeles, where he developed DeVry s West Coast growth strategy. From 1980 to 1992, he was employed by Mott Community College in Flint, Michigan, where he was President from 1984 to 1992. From 1960 to 1980, Mr. Moore served a distinguished career in the U.S. Army, retiring at the rank of Colonel. Mr. Moore received a Bachelor of Arts in Political Science from Seattle University and Master s of Business Administration from the University of Puget Sound. He has also completed the Management of Higher Education Program at Harvard University, post graduate studies in Higher Education Management at the University of Michigan and graduate study and research in Computer Science at Kansas State University.

Jack D. Massimino, became our President and Chief Executive Officer in November 2004. He was previously a member of the Board of Directors and a member of the Audit and Compensation Committees of the Board. Prior to joining our company, Mr. Massimino was retired and managed his personal investment portfolio. Previously, he was President and Chief Executive Officer of Talbert Medical Management Corporation, a publicly traded physician practice management company from 1995 through late 1997. Prior to his association with Talbert, Mr. Massimino was Executive Vice President and Chief Operations Officer of FHP International Corporation, a multi-state, publicly-traded HMO, with revenues of approximately $4 billion at the time of his service. He also served in other executive positions after joining FHP in 1988, including Senior Vice President and Vice President, Corporate Development. Prior to such time, Mr. Massimino held other executive positions in the healthcare field starting in the mid-1970 s. He received a Bachelor of Arts in Psychology from California Western University and earned a Master s Degree in Management from the American Graduate School for International Management.

Beth A. Wilson has been employed by us since our inception in July 1995. She was promoted to Executive Vice President in July 2001. Previously, Ms. Wilson was Vice President of Operations from June 1998 to June 2001. Ms. Wilson was Regional Operations Director for Rhodes Colleges, Inc. from May 1997 to June 1998. From July 1995 to May 1997 she was Operations Director and Regional Operations Director for Corinthian Schools, Inc. Ms. Wilson was employed by NECI from 1991 to 1995, initially as Executive Director of its Capital Hill campus, then as Area Operations Manager. From 1990 to 1991, she was Vice President, Branch Operations for National College. She was employed by United Education and Software from 1984 to 1990, initially as Executive Director of a business school, then as Group Manager for four to fifteen locations and finally as Vice President, Administration. She was Scholarship Administrator for National University from 1982 to 1984 and Assistant Director of American Business College from 1976 to 1981. Ms. Wilson earned a Master s of Business Administration from National University and a Bachelor of Arts degree from California State College, Sonoma.

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Kenneth S. Ord became our Executive Vice President and Chief Financial Officer in February 2005. Mr. Ord brings more than 30 years of financial experience to his position from publicly traded companies in the healthcare, staffing services and automotive industries. Mr. Ord was the Chief Financial Officer at Alliance Imaging, Inc. from 1998 to 2004. Previously he was the Chief Financial Officer of Talbert Medical Management Corporation during 1997 and he was the Chief Financial Officer of FHP International Corporation from 1994 to 1997. Prior to his experience at FHP, Mr. Ord held several successively responsible positions at Kelly Services Inc, including Treasurer, Controller and Vice President Finance. He began his career at Ford Motor Company, working in various financial roles, ranging from financial controls to profit analysis. Mr. Ord holds a Master s in Business Administration from Brigham Young University.

William B. Buchanan became our Executive Vice President of Marketing in July 2004. From 2003 to 2004, Mr. Buchanan was employed by Greenpoint Mortgage, where he directed all retail marketing, with responsibility for direct marketing, internet marketing, advertising and branch marketing. From 1995 to 2002, Mr. Buchanan was employed by Providian Financial Corporation where he progressed through several senior marketing roles, including Vice President of Platinum Marketing, Senior Vice President of New Account Business, and Executive Vice President of New Channel and Product Development. Mr. Buchanan received a Bachelor of Arts in Political Science from the University of California, Berkley.

Mary H. Barry was named Chief Compliance Officer in August 2005. She served as our Executive Vice President of Academic Affairs from September 2003 to August 2005, and served as our Senior Vice President of Academic Affairs from July 2002 until August 2003. Prior to that time she served as our Vice President of Education from April 1998 through July 2002. She was previously employed by University of Phoenix, Southern California Campus, from 1992 through April 1996, where her assignments included Director of Academic Affairs and Director of Administration. She was the Regional Director of the Center for Professional Education, Western Region, from 1996 to 1998. Previously, Ms. Barry was employed in the banking industry as Senior Vice President of Marquette Banks, Director for Citibank, and Vice President of First National Bank of Chicago. Ms. Barry served as a Public Affairs Officer in the U.S. Marine Corps from 1971 to 1980, achieving the rank of Major. Ms. Barry earned a Bachelor of Science in Speech/Drama Education from Bowling Green State University, a Masters of Management from the Kellogg Graduate School of Management, Northwestern University and a Juris Doctorate from Western State University.

Mark L. Pelesh became our Executive Vice President for Legislative and Regulatory Affairs in September 2003. Prior to joining our company, he was a partner in the firm of Drinker Biddle & Reath LLP in Washington, DC, where he was the head of the Education Law Group. His practice focused on federal and state laws and regulations and private accreditation requirements affecting postsecondary educational institutions. Prior to joining Drinker Biddle & Reath, Mr. Pelesh was a partner and associate in the firm of Cohn and Marks and an associate in the firm of Arnold & Porter, both of which are in Washington, DC. Mr. Pelesh received a Juris Doctorate degree from the Yale Law School in 1978 and a Bachelor of Arts degree with distinction and honors in History from Stanford University in 1975.

Stan A. Mortensen has served as our Senior Vice President, General Counsel and Corporate Secretary since August 2002. Prior to his appointment as Senior Vice President, Mr. Mortensen served as Vice President, General Counsel and Corporate Secretary since January 2000. Prior to that time, Mr. Mortensen was an attorney at the law firm of O Melveny & Myers LLP from March 1997 through December 1999, where his practice focused on securities law, corporate finance, mergers and acquisitions, and general corporate matters. From August 1994 through February 1997, Mr. Mortensen was an attorney at the law firm of Robins, Kaplan, Miller & Ciresi, where his practice focused on complex commercial litigation. Mr. Mortensen received a Juris Doctorate and a Bachelor of Arts in Political Science from Brigham Young University.

Robert C. Owen has served as our Senior Vice President and Chief Accounting Officer since February 2005. He joined Corinthian in 2004 as Vice President and Controller, and has more than 20 years experience in industry and public accounting. Previously, he served as Vice President, Controller for Princess Cruise Lines and as

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Assistant Controller for Royal Caribbean Cruises Ltd. Mr. Owen began his career at Deloitte & Touche, where he spent 11 years in successively responsible positions, both in the U.S. and Canada. Mr. Owen earned a B.B.A. degree in accounting from Florida Atlantic University. He obtained his license as a Certified Public Accountant in Florida in 1985 and as a Chartered Accountant in Ontario, Canada in 1994.

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GOVERNMENTAL REGULATIONS AND FINANCIAL AID

U.S. Regulations

Students attending our schools in the U.S. finance their education through a combination of family contributions, individual resources (including earnings from full or part-time employment) and federal financial aid programs.

We estimate that during fiscal 2005 approximately 77.7% of our students in the U.S. received some federal Title IV financial aid. For fiscal 2005, approximately 79.3% of our revenues (on a cash basis) were derived from federal Title IV programs (as defined herein).

If any of our institutions were to lose its eligibility to participate in federal student financial aid programs, the students at that institution would lose access to funds derived from those programs and would have to seek alternative sources of funds to pay their tuition and fees. Students in the U.S. obtain access to federal student financial aid through a DOE prescribed application and eligibility certification process. Student financial aid funds are generally made available to students at prescribed intervals throughout their predetermined expected length of study. Students typically use the funds received from the federal financial aid programs to pay their tuition and fees. The transfer of funds from the financial aid programs is to the students, who then apply those funds to the cost of their education. The receipt of funds from federal financial aid programs reduces the students amount due to the institution, but does not impact the Company s revenue recognition.

In connection with the receipt of federal financial aid by our students, we are subject to extensive regulation by governmental agencies and licensing and accrediting agencies. In particular, the Higher Education Act of 1965, as amended (the HEA), and the regulations issued there under by the DOE, subject us to significant regulatory scrutiny in the form of numerous standards that schools must satisfy in order to participate in the various federal financial aid programs under Title IV of the HEA (the Title IV Programs). Under the HEA, regulatory authority is divided among each of the following components: (i) the federal government, which acts through the DOE; (ii) the accrediting agencies recognized by the DOE; and (iii) state higher education regulatory bodies. Among other things, the HEA and DOE regulations require each of our U.S. institutions to: (i) maintain a rate of default by its students on federally guaranteed loans that are below a specified rate; (ii) limit the proportion of its revenue (on a cash basis) derived from the Title IV Programs; (iii) comply with certain financial responsibility and administrative capability standards; (iv) prohibit the payment of certain incentives to personnel engaged in student recruiting, admissions activities or the award of financial aid; and (v) achieve prescribed completion and placement outcomes for short-term programs. The regulations, standards and policies of the regulatory agencies frequently change, and changes in, or new interpretations of, applicable laws, regulations or standards could have material consequences for our accreditation, authorization to operate in various states, permissible activities, receipt of funds under Title IV Programs and costs of doing business.

The federally guaranteed loans referred to by us are authorized by the HEA and are guaranteed by an agency of the federal government. The guaranteed loans are neither guaranteed by us, nor can such guaranteed loans become our obligation. Accordingly, we do not record an obligation to repay any of the guaranteed loans that are not repaid by our former students, and we do not record either a contingent obligation or an allowance for future obligations as a result of student defaults of federally guaranteed loans.

Rather, the DOE regulations require that we maintain a rate of default by our former students on federally guaranteed, or funded student loans, that is below a specified rate, and pertain solely to our eligibility to participate in federal student financial aid programs. If an institution fails to maintain a Cohort Default Rate of 25% or less for three consecutive years, the institution could lose eligibility to participate in federal financial aid programs, and its students would lose access to the federally guaranteed student loan programs.

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The DOE regulations define an institution as a main campus and its additional locations, if any. As defined by the DOE, our main campuses and additional locations in the U.S. are as follows:

Main Campus	Additional Locations
Ashmead College, Seattle, WA	Ashmead College, Fife, WA
	Ashmead College, Vancouver, WA
	Ashmead College, Everett, WA
	Ashmead College, Tigard, OR
Blair College, Colorado Springs, CO	Parks College, McLean, VA
Bryman College, Alhambra, CA	Bryman Institute, Chelsea, MA
Bryman College, Brighton, MA	Olympia College, North Aurora, IL
Bryman College, Gardena, CA	GMI, Norcross, GA
Bryman College, Hayward, CA	Bryman College, New Orleans, LA
Bryman College, Ontario, CA	Bryman Institute, Columbus, Ohio
Bryman College, Port Orchard, WA	Bryman College, Everett, WA
	Bryman College, Tacoma, WA
	Bryman College, St. Louis, MO
Bryman College, Renton, WA	Bryman College, Lynnwood, WA
	NIT, Houston (Bissonnet), TX
Bryman College, San Francisco, CA	Olympia College, Chicago, IL
FMU, Orlando (North), FL	FMU, Melbourne, FL
	FMU, Orlando (South), FL
FMU, Pinellas, FL	FMU, Lakeland, FL
	FMU, Jacksonville, FL
FMU, Tampa, FL	FMU, Brandon, FL
	FMU, Orange Park, FL
GMI, Atlanta, GA	GMI, Jonesboro, GA
	GMI, Marietta, GA
Kee Business College, Newport News, VA	Kee Business College, Chesapeake, VA
Las Vegas College, Las Vegas, NV	Las Vegas College, Henderson, NV
Mountain West College, Salt Lake City, UT	Everest College, Fort Worth, TX
NIT, Cross Lanes, WV	GMI, Dekalb, GA
	Bryman Institute, Eagan, MN
NIT, Long Beach, CA	Bryman College, City of Industry, CA
	Bryman College, West Los Angeles, CA
NIT, San Antonio, TX	NIT, Houston, TX

	NIT, Houston (Greenspoint), TX
	NIT, Houston (Hobby), TX
NIT, Southfield, MI	NIT, Dearborn, MI
	NIT, Detroit, MI
	NIT, Austin, TX
NST, Kendall, FL	NST, Ft. Lauderdale, FL
NST, North Miami Beach, FL	NST, Hialeah, FL

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Main Campus	Additional Locations
Olympia Career Training Institute, Grand Rapids, MI	
	Olympia Career Training Institute, Kalamazoo, MI
	Olympia College, Merrillville, IN
Olympia College, Skokie, IL	Olympia College, Burr Ridge, IL
Parks College, Thornton, CO	Parks College, Aurora, CO
	Parks College, Arlington, VA
Rochester Business Institute, Rochester, NY	Everest College, Mid-Cities, TX
Springfield College, Springfield, MO	Everest College, Rancho Cucamonga, CA
Western Business College, Portland, OR	Western Business College, Vancouver, WA
	Everest College, Dallas, TX
	Everest Institute, Silver Springs, MD
Wyo-Tech, Fremont, CA	Wyo-Tech, Oakland, CA
Wyo-Tech, Laramie, WY	Wyo-Tech, Blairsville, PA Wyo-Tech, Sacramento, CA

Accreditation for U.S. Schools

Accreditation is a voluntary non-governmental process by which institutions submit themselves to qualitative review by an organization of peer institutions. There are three types of accrediting agencies: (i) national accrediting agencies, which accredit institutions without regard to geographical location; (ii) regional accrediting agencies, which accredit institutions within their geographic areas; and (iii) programmatic accrediting agencies, which accredit specific educational programs offered by institutions. Accrediting agencies primarily examine the academic quality of the instructional programs offered at the institution, including retention and placement rates. Accrediting agencies also review the administrative and financial operations of the institution to ensure that it has the academic and financial resources to achieve its educational mission. A grant of accreditation is generally viewed as certification that an institution and its programs meet generally accepted academic standards.

Pursuant to provisions of the HEA, the DOE relies on accrediting agencies to determine whether an institution and its educational programs are of sufficient quality to permit it to participate in Title IV Programs. The HEA specifies certain standards that all recognized accrediting agencies must adopt in connection with their review of post-secondary institutions and requires accrediting agencies to submit to a periodic review by the DOE as a condition of their continued recognition. All of our colleges located within the U.S. are accredited by an accrediting agency recognized by the DOE as depicted in the table below:

Accrediting Agency	Number of Schools Accredited	% of Total Schools
Accrediting Commission of Career Schools and Colleges of Technology	42	45%
Accrediting Council for Independent Colleges and Schools	35	37%
Accrediting Bureau of Health Education Sciences	10	11%
Accrediting Council for Continuing Education and Training	6	6%
North Central Association	1	1%

Total U.S. Schools	94	100%

The HEA requires accrediting agencies recognized by the DOE to review many aspects of an institution s operations in order to ensure that the education or training offered is of sufficient quality to achieve, for the duration of the accreditation period, the stated objectives of the education or training offered. Under the HEA, recognized accrediting agencies must conduct regular reviews of the institutions they accredit. In addition to periodic accreditation reviews, institutions undergoing a change of ownership must be reviewed by the appropriate accrediting agency. All of our colleges in the U.S. have been visited and reviewed by their respective accrediting agencies subsequent to the date of acquisition by us. Accrediting agencies also monitor institutions compliance during the term of their accreditation. If an accrediting agency believes that an institution may be out of compliance with accrediting standards, it may place the institution on probation or a similar warning status or direct the institution to show cause why its accreditation should not be revoked. An accrediting agency may also require the institution to supply it with supplemental reports in order for the agency to monitor one or more specific areas of the institution s performance, typically completion or graduate placement outcomes. This is commonly referred to as being on reporting status. Failure to demonstrate compliance with accrediting standards in any of these instances could result in loss of accreditation. Being on probation, show cause, or reporting status may cause an accreditor to deny an institution permission, or otherwise delay approval, to open and commence instruction at new locations.

Show Cause Orders. A show cause order is issued based upon an accrediting agency s concerns that an accredited institution may be out of compliance with one or more accrediting standards. It affords the institution the opportunity to respond before any adverse action is taken. The institution may demonstrate that the concern is unfounded, that it has taken corrective action to resolve the concern, or that it has implemented an ongoing plan of action which is deemed appropriate to resolve the concern. The accrediting agency may then vacate the show cause order, continue the show cause order or seek additional information through reports required of the institution. If the agency s concerns are not resolved, it may act to withdraw accreditation from the institution.

We responded to the Accrediting Commission of Career Schools and Colleges of Technology (ACCSCT) with respect to the previously reported show cause order for our Georgia Medical Institute campus in Dekalb, Georgia, in a timely manner and will continue to work with ACCSCT to address and resolve any concerns regarding that school.

The Accrediting Bureau of Health Education Sciences (ABHES) recently issued show cause orders to our Olympia College in Grand Rapids, Michigan, and its two branch campuses in Kalamazoo, Michigan and Merrillville, Indiana, and to our Georgia Medical Institute campus in Atlanta and its two branch campuses in Marietta and Jonesboro, Georgia. These show cause orders relate to completion and placement rates. We have responded to each of these show cause orders and will continue to work with ABHES to address and resolve any concerns on which the show cause orders are based. ACCSCT also recently issued a show cause order to our National Institute of Technology campus in Houston (Greenspoint), Texas, relating to the school s placement outcomes. We expect to respond to ACCSCT in advance of its next commission meeting, currently scheduled for November 2005.

Since accreditation is required for an institution to be eligible to participate in the federal student financial aid programs, the failure by one or more of these schools to satisfactorily resolve the show cause orders could have a material adverse effect on our business, results of operation and financial condition.

Supplemental Reports. As of June 30, 2004, forty of our colleges were required to provide periodic supplemental reports to their respective accrediting agencies, primarily with respect to the completion and/or placement rates of their students. In certain of these cases, the periodic supplemental reports are required only with respect to particular programs at an institution, and not to the institution s overall completion or placement rates. We are working to improve these retention and placement rates in the identified programs at these schools.

Federal Support for Post-Secondary Education in the U.S.

While many states support their public colleges and universities through direct state subsidies, the federal government provides a substantial part of its support for post-secondary education through grants and loans to students who can apply the funds received to pay for their educational costs at any institution certified by the DOE as eligible to participate in the federally funded student financial aid programs. Since 1972, Congress has expanded the scope of the HEA by, among other things, (i) providing that students attending proprietary institutions, such as our institutions, are eligible for assistance under the Title IV Programs, (ii) establishing a program for loans to parents of eligible students, (iii) opening the Title IV Programs to part-time students, and (iv) increasing maximum loan limits and in some cases eliminating the requirement that students demonstrate

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financial need to obtain federally guaranteed loans. The Federal Direct Loan Program (FDL) was also enacted, enabling students to obtain loans directly from the federal government rather than from commercial lenders.

Congress must reauthorize the student financial assistance programs of the HEA approximately every five to six years, and the last reauthorization took place in 1998. Consequently, Congress is currently considering the reauthorization of the HEA, and is currently expected to conclude it in calendar 2005 or 2006. Although it is unclear at this time what changes, if any, Congress may make to the HEA as a result of reauthorization, we believe that upon reauthorization, our institutions and students will continue to have access to Title IV funds. However, if substantial changes were made to HEA that adversely affected the terms and conditions of our schools participation in the Title IV programs as a result of reauthorization, it could have a material adverse impact on our operating results and cash flows.

Students at our U.S. institutions receive grants, loans and work opportunities to fund their education under several of the Title IV Programs, of which the two largest are the Federal Family Education Loan (FFEL) program and the Federal Pell Grant (Pell) program. Our institutions also participate in the Federal Supplemental Educational Opportunity Grant (FSEOG) program, and some of them participate in the Federal Perkins loan program and the Federal Work-Study (FWS) program.

Most aid under the Title IV Programs is awarded on the basis of financial need, generally defined under the HEA as the difference between the cost of attending an educational institution and the amount a student can reasonably contribute to that cost. All recipients of Title IV Program funds must maintain both a satisfactory grade point average and progress in a timely manner toward completion of their program of study.

Pell. Pell grants are the primary component of the Title IV Programs under which the DOE makes grants to students who demonstrate financial need. Every eligible student is entitled to receive a Pell grant; there is no institutional allocation or limit. For the 2004-2005 award year, Pell grants ranged from $400 to $4,050 per year. Amounts received by students enrolled in our institutions in the 2004-2005 award year under the Pell program equaled approximately 20.7% of our net revenue (on a cash basis).

FSEOG. FSEOG awards are designed to supplement Pell grants for the neediest students. FSEOG grants generally range in amount from $100 to $4,000 per year; however, the availability of FSEOG awards is limited by the amount of those funds allocated to an institution under a formula that takes into account the size of the institution, its costs and the income levels of its students. We are required to make a 25% contribution to students for all FSEOG awards disbursed. Resources for this institutional contribution may include institutional grants, scholarships and other eligible funds (i.e., funds from foundations and other charitable organizations) and, in certain states, portions of state scholarships and grants. During the 2004-2005 award year, our contribution was met by approximately $1.6 million in funds from our institutions, funds from state scholarships and grants, and funds from foundations and other charitable organizations. Amounts received by students in our institutions under the federal share (including the FSEOG match) of the FSEOG programs in the 2004-2005 award year equaled approximately 0.7% of our net revenue (on a cash basis).

FFEL and FDL. The FFEL program consists of two types of loans, Stafford loans, which are made available to students, and PLUS loans, which are made available to parents of students classified as dependents. Under the William D. Ford Federal Direct Loan (FDL) program, students may obtain loans directly from the DOE rather than commercial lenders. The conditions on FDL loans are generally the same as on loans made under the FFEL program. Under the Stafford loan program, a student may borrow up to $2,625 for the first academic year, $3,500 for the second academic year and, in some educational programs, $5,500 for each of the third and fourth academic years. Students with financial need qualify for interest subsidies while in school and during grace periods. Students who are classified as independent can increase their borrowing limits and receive additional unsubsidized Stafford loans. Such students can obtain an additional $4,000 for each of the first and second academic years and, depending upon the educational program, an additional $5,000 for each of the third and fourth academic years. The obligation to begin repaying Stafford loans does not commence until six months after a student ceases enrollment as at least a half-time student. Amounts received by students in our institutions under the Stafford program in the 2004-2005 award year equaled approximately 48.3% of our net revenue (on a cash

basis). PLUS loans may be obtained by the parents of a dependent student in an amount not to exceed the difference between the total cost of that student s education (including allowable expenses) and other aid to which that student is entitled. Amounts received by students in our institutions under the PLUS program in the 2004-2005 award year equaled approximately 9.3% of our net revenue (on a cash basis).

Our schools and their students use a wide variety of lenders and guaranty agencies and have generally not experienced difficulties in identifying lenders and guaranty agencies willing to make federal student loans. Additionally, the HEA requires the establishment of lenders of last resort in every state to ensure that students at any institution that cannot identify such lenders will have access to the FFEL program loans. None of our colleges uses a lender of last resort.

Perkins. Eligible undergraduate students may borrow up to $4,000 under the Perkins program during each award year, with repayment delayed until nine months after the borrower ceases to be enrolled on at least a half-time basis. Perkins loans are made available to those students who demonstrate a financial need. Perkins loans are made from a revolving account, 75% of which was initially capitalized by the DOE. Subsequent federal capital contributions, with an institutional contribution of one-third of the federal contribution, may be received if an institution meets certain requirements. Each institution collects payments on Perkins loans from its former students and loans those funds to currently enrolled students. Collection and disbursement of Perkins loans is the responsibility of each participating institution. During the 2004-2005 award year, we collected approximately $4.0 million from our former students in repayment of Perkins loans. In the 2004-2005 award year, we had no required matching contribution. The Perkins loans disbursed to students in our institutions in the 2004-2005 award year equaled approximately 0.5% of our net revenue (on a cash basis).

FWS. Under the FWS program, federal funds are made available to pay up to 75% of the cost of compensation for part-time employment of eligible students, based on their financial need, to perform work for the institution or for off-campus public or non-profit organizations. At least 7% of an institution s FWS allocation must be used to fund student employment in community service positions. FWS earnings are given directly to the student for their own discretionary use.

Federal Oversight of the Title IV Programs in the U.S.

The substantial amount of federal funds disbursed through the Title IV Programs coupled with the large numbers of students and institutions participating in those programs have led the U.S. Congress to require the DOE to engage in a substantial level of regulatory oversight of institutions to ensure that public funds are properly used. Each institution which participates in the Title IV Programs must annually submit to the DOE both an audit by an independent accounting firm of that institution s compliance with the Title IV Program requirements, and audited financial statements. The DOE also conducts compliance reviews, which include on-site evaluations, and directs student loan guaranty agencies to conduct additional reviews relating to the FFEL programs. In addition, the Office of the Inspector General of the DOE conducts audits and investigations of institutions in certain circumstances. Under the HEA, accrediting agencies and state licensing agencies also have responsibilities for overseeing institutions compliance with Title IV Program requirements. As a result, each participating institution, including each of our U.S. institutions, is subject to frequent and detailed oversight and must comply with a complex framework of laws and regulations or risk being required to repay funds or becoming ineligible to participate in the Title IV Programs. In addition, the DOE periodically revises its regulations and changes its interpretation of existing laws and regulations.

Cohort Default Rates. A significant requirement imposed by Congress is a limitation on participation in the Title IV Programs by institutions whose former students defaulted on the repayment of federally guaranteed or funded student loans at an excessive rate (Cohort Default Rates). Many institutions, including all of our institutions within the U.S., have responded by implementing aggressive student loan default management programs aimed at reducing the likelihood of students failing to repay their federally guaranteed loans in a timely manner. An institution s Cohort Default Rates under the FFEL and FDL programs are calculated on an annual basis as the rate at which student borrowers scheduled to begin repayment on their loans in one federal fiscal year

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default on those loans by the end of the next federal fiscal year. An institution that participates in both the FFEL and FDL programs receives a single weighted average Cohort Default Rate in place of an FFEL or FDL Cohort Default Rate. Any institution whose Cohort Default Rate equals or exceeds 25% for any one of the three most recent federal fiscal years may be found by the DOE to lack administrative capability and, on that basis, placed on provisional certification status for up to three years. Provisional certification status does not limit an institution s access to Title IV Program funds but does subject that institution to closer review by the DOE and possible summary adverse action if that institution commits violations of the Title IV Program requirements. Any institution whose Cohort Default Rates equal or exceed 25% for three consecutive years may lose eligibility to participate in the FFEL or FDL programs for the remainder of the federal fiscal year in which the DOE determines that such institution has lost its eligibility and for the two subsequent federal fiscal years. In addition, an institution whose Cohort Default Rate for any federal fiscal year exceeds 40% may have its eligibility to participate in all of the Title IV Programs limited, suspended or terminated. The HEA also provides that institutions which become ineligible to participate in the Title IV Programs because of Cohort Default Rates in excess of the applicable levels would also become ineligible to participate in the Pell grant program. Since the calculation of Cohort Default Rates involves the collection of data from many non-governmental agencies (i.e., lenders, private guarantors or servicers), as well as the DOE, the HEA provides a formal process for the review and appeal of the accuracy of Cohort Default Rates before the DOE takes any action against an institution based on such rates.

We proactively manage our students repayment obligations and have engaged a professional default management firm to assist us in managing the Cohort Default Rates at our U.S. institutions. We believe that professional default management services can continue to assist us in managing these Cohort Default Rates.

The following table sets forth the final Cohort Default Rates for our institutions in the U.S. for federal fiscal years 2001 and 2002, and draft rates for 2003:

Institution	**2001**	**2002**	**2003 (2)**
AMI Institute, Daytona Beach, FL	12.4%	11.9%	8.4%
Ashmead College, Seattle, WA (Fife, Vancouver, and Everett, WA, and Tigard, OR) (1)	7.3%	6.1%	6.2%
Blair College, Colorado Springs, CO (Parks College, McLean, VA) (1)	14.4%	12.5%	7.3%
Bryman College, Alhambra, CA (Bryman Institute, Chelsea, MA (1)	12.0%	7.6%	11.1%
Bryman College, Gardena, CA (GMI, Norcross, GA) (1)	11.7%	9.5%	6.4%
Bryman College, Los Angeles, CA	10.1%	9.9%	8.5%
Bryman College, Anaheim, CA	6.7%	8.8%	7.2%
Bryman College, San Francisco, CA (Olympia College, Chicago, IL) (1)	13.2%	10.3%	9.5%
Bryman College, San Jose, CA	10.0%	8.8%	11.8%
Bryman College, Hayward, CA (New Orleans, LA) (1)	11.9%	12.6%	6.3%
Bryman College, Renton, WA (Lynnwood, WA; NIT, Bissonet, TX) (1)	9.7%	10.3%	6.6%
Bryman College, Reseda, CA	7.7%	6.6%	7.1%
Bryman College, Ontario, CA	8.8%	10.2%	7.8%
Bryman College, Torrance, CA	6.6%	11.5%	12.4%
Bryman College, Port Orchard, WA (Everett, and Tacoma, WA) (1)	9.0%	11.2%	11.3%
Bryman College, San Bernardino, CA	2.7%	6.9%	10.9%
Bryman Institute, Brighton, MA	9.7%	14.7%	8.1%
Duff s Business Institute, Pittsburgh, PA	21.2%	21.9%	13.2%
Everest College, Phoenix, AZ	8.5%	17.7%	15.9%
FMU, Orlando (North), FL (Orlando South, and Melbourne, FL) (1)	12.2%	9.7%	9.1%
FMU, Pinellas, FL (Lakeland and Jacksonville, FL) (1)	10.8%	11.4%	10.5%
FMU, Pompano Beach, FL	13.0%	9.0%	7.6%
FMU, Tampa, FL (Brandon and Orange Park, FL) (1)	12.9%	9.7%	9.4%
GMI, Atlanta, GA (Jonesboro and Marietta, GA) (1)	18.5%	15.4%	10.6%
Kee Business College, Newport News, VA (Chesapeake, VA) (1)	10.8%	11.4%	8.2%
Las Vegas College, Las Vegas, NV (Henderson, NV) (1)	17.6%	16.2%	13.7%

Institution	2001	2002	2003 (2)
Mountain West College, Salt Lake City, UT	15.6%	13.8%	13.8%
National School of Technology, North Miami Beach, FL (Hialeah, FL) (1)	15.2%	12.0%	9.5%
National School of Technology, Kendall, FL (Ft. Lauderdale, FL) (1)	14.2%	7.7%	12.3%
NIT, Cross Lanes, WV (GMI, Dekalb, GA; Bryman Institute, Eagan, MN) (1)	13.2%	10.6%	10.6%
NIT, Long Beach, CA (Bryman College, West Los Angeles and City of Industry, CA) (1)	15.8%	12.8%	13.2%
NIT, San Antonio, TX (Houston, Greenspoint, and Hobby, TX) (1)	14.3%	14.5%	15.7%
NIT, Southfield, MI (Dearborn and Detroit, MI, and Austin, TX) (1)	15.1%	8.7%	5.2%
Olympia College, Skokie, IL (Burr Ridge, IL) (1)	8.9%	7.6%	9.3%
Olympia Career Training Institute, Grand Rapids, MI, (Kalamazoo, MI, and Olympia College, Merrillville, IN) (1)	8.5%	9.1%	7.0%
Parks College, Thornton, CO (Aurora, CO, and Arlington, VA) (1)	15.7%	13.3%	10.5%
Rochester Business Institute, Rochester, NY (Everest College, Mid Cities, TX) (1)	16.3%	12.2%	9.4%
Springfield College, Springfield, MO (Everest College, Rancho Cucamonga, CA) (1)	17.1%	15.4%	12.0%
Western Business College, Portland, OR (Vancouver, WA, and Everest College, Dallas, TX) (1)	9.0%	13.4%	10.0%
Wyo-Tech, Boston, MA	10.2%	15.6%	5.5%
Wyo-Tech, Fremont, CA (Oakland, CA) (1)	13.3%	13.1%	14.7%
Wyo-Tech, Laramie, WY (Sacramento, CA and Blairsville, PA) (1)	5.5%	4.4%	4.2%
Consolidated Average Cohort Default Rate	12.4%	11.1%	9.6%

(1) Indicates additional locations wherein the Cohort Default Rates are blended with the main campus.

(2) Rates are based on the draft Cohort Default Rates issued on February 12, 2005, and are subject to change when final rates are published.

In addition, if an institution s Cohort Default Rate for loans under the Perkins program exceeds 15% for any federal award year (i.e., July 1 through June 30), that institution may be placed on provisional certification status for up to three years. Fourteen of our institutions have Perkins program Cohort Default Rates in excess of 15% for students who were scheduled to begin repayment in the 2003 federal award year, the most recent year for which such rates have been calculated. During fiscal 2003, Perkins loans amounted to approximately 0.4% of our total revenues (on a cash basis). The Perkins program Cohort Default Rates for these institutions ranged from 6.1% to 24.13%. Default rates in excess of 15% could result in provisional certification status. Historically, provisional certification due to excessive Perkins program Cohort Default Rates has not had a material adverse effect on our business.

In addition to the efforts of our outside professional default management firm, each of our colleges has adopted an internal student loan default management plan. Those plans emphasize to students the importance of meeting loan repayment requirements and provide for extensive loan counseling, along with methods to increase student persistence and completion rates and graduate employment (placement) rates. Immediately upon a student s cessation of enrollment, the professional default management firm initiates regular contact with the student, maintains regular contact throughout the grace period, and continues this activity through the entire cohort period. The colleges continue to work with the default management firm to maintain accurate and up-to-date information on address changes, marital status changes, or changes in circumstance that may allow the student to apply for deferments. These activities are all in addition to the loan servicing and collection activities of FFEL lenders and guarantee agencies.

Regulatory Scrutiny. The HEA provides for a three-part initiative, generally referred to as the Triad, to provide regulatory scrutiny of post-secondary education institutions. The first part of the Triad consists of accrediting agencies which review and accredit our campuses. Their examinations pertain to such areas as student achievement, curriculum, faculty, facilities, equipment, admissions, financial responsibility and timeliness of student refunds. The Triad provisions also require each accrediting agency recognized by the DOE to undergo comprehensive periodic reviews by the DOE to ascertain whether such accrediting agency is adhering to required standards.

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The second part of the Triad involves the standards to be applied by the DOE in evaluating the financial responsibility and administrative capability of institutions participating in the Title IV Programs. In addition, the Triad mandates that the DOE periodically review the eligibility and certification to participate in the Title IV Programs of every such eligible institution. By law, all institutions are required to undergo a recertification review at least every six years, although the DOE may recertify an institution for a shorter time period. Under these standards, each of our institutions is evaluated by the DOE on a routine basis. A denial of recertification would preclude an institution from continuing to participate in the Title IV Programs.

The third part of the Triad involves approvals by state education agencies with jurisdiction over educational institutions. State requirements are important to an institution s eligibility to participate in the Title IV Programs since an institution must be licensed or otherwise authorized to operate in the state in which it offers education or training services in order to be certified as eligible. The level of regulatory oversight varies substantially from state to state. State laws establish standards for instruction, qualifications of faculty, location and nature of facilities, financial policies and responsibility and other operational matters. State laws and regulations may limit our ability to obtain authorization to operate in certain states, to award degrees or diplomas, or offer new degree programs. Certain states prescribe standards of financial responsibility that are different from those prescribed by the DOE. We believe that each of our campuses is in substantial compliance with state authorizing and licensure laws.

Compliance with Regulatory Standards and Effect of Regulatory Violations. Our schools are subject to audits and program compliance reviews by various external agencies, including the DOE, state authorizing agencies, student loan guaranty agencies and accrediting agencies. The HEA and its implementing regulations also require that an institution s administration of Title IV Program funds be audited annually by an independent accounting firm. The resulting audit report must be submitted to the DOE for review. If the DOE or another regulatory agency determined that one of our institutions improperly disbursed Title IV Program funds or violated a provision of the HEA or the DOE s regulations, that institution could be required to repay such funds, and could be assessed an administrative fine. The DOE could also subject the institution to a heightened level of monitoring, under which the institution s federal funding requests would be more carefully reviewed by the DOE, or the DOE could transfer the institution from the advance system of receiving Title IV Program funds to the reimbursement system, under which an institution must document the students eligibility for Title IV Program funds before receiving such funds from the DOE. Violations of Title IV Program requirements could also subject us or our schools to other civil and criminal penalties.

As previously disclosed, the U.S. DOE conducted a program review at our Bryman College in San Jose, California in December 2003. Shortly thereafter, that school was placed on reimbursement status by the DOE. On September 22, 2004, the Company announced that the DOE had returned the campus to the advance system of funding. As required by the DOE, we delivered a written response to the program review on December 14, 2004. On May 12, 2005 we announced that we had received a Final Determination Letter from the DOE that resolved the program review. The Final Determination Letter required the return of a net amount of approximately $776,000 to the DOE, the Perkins Fund and Federal Family Education Loan program lenders. No fines or penalties were assessed, and the institution s continued eligibility to receive Title IV student financial aid funds was not affected. The payment did not have a material adverse impact on our financial condition or results of operations.

From time to time, certain of our other institutions have also been the subject of program reviews by the DOE. Program reviews are often unresolved for several months or years with little or no communication from the DOE. We do not believe that any of our currently pending program reviews with the DOE is reasonably likely to have a material adverse effect on the Company. However, if the DOE were to make significant findings of non-compliance by any of our schools in any ongoing or future program review, it could have a material adverse effect on our business, results of operations or financial condition.

Significant violations of Title IV Program requirements by us or any of our institutions could be the basis for a proceeding by the DOE to limit, suspend, or terminate the participation of the affected institution in the

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Title IV Programs. Generally, such a termination extends for 18 months before the institution may apply for reinstatement of its participation. There is no proceeding pending to fine any of our institutions or to limit, suspend, or terminate any of our institutions participation in the Title IV Programs, and we have no reason to believe that any such proceeding is contemplated. Any such action that substantially limited our schools participation in the Title IV Programs could have a material adverse effect on our business, results of operations and cash flows, and financial condition.

Financial Responsibility Standards. All institutions participating in the Title IV Programs must satisfy a series of specific standards of financial responsibility. Institutions are evaluated for compliance with those requirements in several circumstances, including as part of the DOE s recertification process and also annually as each institution submits its audited financial statements to the DOE. As part of the evaluation of an institution s financial responsibility, the DOE calculates three financial ratios for an institution: an equity ratio, a primary reserve ratio, and a net income ratio. Each ratio is scored separately and then combined to determine the institution s financial responsibility. If an institution s composite score is below the minimum requirement for unconditional approval (which is a score of 1.5) but above a designated threshold level (the Zone, which is 1.0 to 1.4), such institution may take advantage of an alternative that allows it to continue to participate in the Title IV Programs for up to three years under additional monitoring and reporting procedures but without having to post a letter of credit in favor of the DOE. If an institution s composite score falls below the minimum threshold level of 1.0 or is in the Zone for more than three consecutive years, the institution may be required to post a letter of credit in favor of the DOE.

For fiscal 2005, our calculations reflect that all of our schools exceed the requirements for financial responsibility on an individual basis, with composite scores ranging from 1.5 to 3.0. Also, our company, on a consolidated basis, meets the requirements with the composite score of 2.06.

An institution that is determined by the DOE not to have met the standards of financial responsibility is nonetheless entitled to participate in the Title IV Programs if it can demonstrate to the DOE that it is financially responsible on an alternative basis. An institution may do so by posting a surety either in an amount equal to 50% (or greater, as the DOE may require) of the total Title IV Program funds received by students enrolled at such institution during the prior year or in an amount equal to 10% (or greater, as the DOE may require) of such prior year s funds if the institution also agrees to provisional certification and to transfer to the reimbursement or cash monitoring system of payment for its Title IV Program funds. The DOE has interpreted this surety condition to require the posting of an irrevocable letter of credit in favor of the DOE.

Under a separate standard of financial responsibility, if an institution has made late Title IV refunds to students in its prior two years, the institution is required to post a letter of credit in favor of the DOE in an amount equal to 25% of the total Title IV Program refunds paid by the institution in its prior fiscal year. As of July 1, 1997, this standard was modified to exempt an institution that has not been found to make late refunds to 5% or more of its students who were due refunds in either of the two most recent fiscal years and has not been cited for a reportable condition or material weakness in its internal controls related to late refunds in either of its two most recent fiscal years. Based on this standard, we currently have outstanding letters of credit relating to these programs in the aggregate amount of approximately $1.9 million. There can be no assurance that, upon review by the DOE, that we will not be required to post additional letters of credit in favor of the DOE on behalf of the affected colleges.

Restrictions on Acquiring or Opening Additional Schools and Adding Educational Programs. An institution which undergoes a change of ownership resulting in a change in control, including all of the institutions that we have acquired or will acquire, must be reviewed and recertified for participation in the Title IV Programs under its new ownership. If an institution is recertified following a change of ownership, it will be on a provisional basis. During the time an institution is provisionally certified, it may be subject to closer review by the DOE and to summary adverse action for violations of Title IV Program requirements, but provisional certification does not otherwise limit an institution s access to Title IV Program funds. All of our schools have been provisionally

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certified following their acquisition by us. As of June 30, 2005, nine of our acquired schools are on provisional certification due to their change in ownership.

The HEA generally requires that proprietary institutions be fully operational for two years before applying to participate in the Title IV Programs. However, under the HEA and applicable regulations, an institution that is certified to participate in the Title IV Programs may establish an additional location and apply to participate in the Title IV Programs at that location without reference to the two-year requirement, as long as such additional location satisfies all other applicable Title IV Program participation eligibility requirements. Our expansion plans are based, in part, on our ability to acquire schools that can be recertified and to open additional locations as branch campuses of existing institutions.

Generally, if an institution is eligible to participate in the Title IV Programs and adds an educational program after it has been designated as an eligible institution, the institution must apply to the DOE to have the additional program designated as eligible. However, an institution is not obligated to obtain DOE approval of an additional program that leads to an associate s, bachelor s or master s degree or which prepares students for gainful employment in the same or related recognized occupation through an educational program that has previously been designated as an eligible program at that institution and meets certain minimum length requirements. Furthermore, short-term educational programs, which generally consist of those programs that provide at least 300 but less than 600 clock hours of instruction, are eligible only for FFEL funding and only if they have been offered for a year and the institution can demonstrate, based on an attestation by its independent auditor, that at least 70% of all students who enroll in such programs complete them within a prescribed time and at least 70% of those students who graduate from such programs obtain employment in the recognized occupation for which they were trained within a prescribed time. Certain of our colleges offer such short-term programs in compliance with DOE regulations. Students enrolled in such programs represent a small percentage of the total enrollment at our colleges. In the event that an institution erroneously determines that an educational program is eligible for purposes of the Title IV Programs without the DOE s express approval, the institution would likely be required to repay the Title IV Program funds provided to students in that educational program. Certain of the state authorizing agencies and accrediting agencies with jurisdiction over our campuses also have requirements that may, in certain instances, limit our ability to open a new campus, acquire an existing campus or establish an additional location of an existing institution or begin offering a new educational program.

Ability to Benefit Regulations. Under certain circumstances, an institution may elect to admit non-hi