Barrington Research™
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August 31, 2010

Industry Research

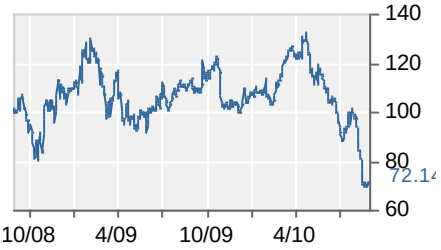
Ticker	Current Price	Mkt Cap ($M)	Rating
Coverage Companies			
APEI	$24.94	$460	MP
APOL	$43.51	$6,373	OP
BPI	$13.34	$716	OP
CPLA	$67.15	$1,108	MP
DV	$42.76	$2,761	OP
LOPE	$17.51	$796	OP
EDMC	$8.51	$1,220	OP
ESI	$55.46	$1,835	OP
LINC	$11.21	$286	OP
STRA	$162.70	$2,209	MP
Non-Coverage Companies			
CECO	$18.27	$1,453	NR
COCO	$5.09	$466	NR
UTI	$16.03	$382	NR

Ratings Legend

OP = Outperform
MP = Market Perform
UP = Underperform
NR = Not Rated

Education Performance Chart

Indexed to 100 as of 27 Aug 08



Barrington Research Postsecondary Education Index

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NOTE: Please refer to the end of this report for important disclosures.

Postsecondary Education Industry

In Defense of Private Sector Education

Highlights:

Investment Thesis Remains Intact: Long-term demand for higher education continues to be robust due to a number of drivers including demographics and greater opportunities available for college-educated adults – higher earnings potential and lower rates of unemployment. Cyclical demand for higher education at a time when public state-funded schools (including community colleges) are facing a budget crisis, are adding to the secular growth opportunities for private-sector (for-profit) colleges and universities.

Student Outcomes: While the headline proclaims that private sector (for profit) colleges and universities have lower graduation and loan repayment rates than traditional public and private institutions, we would argue that that is more a function of their respective student populations (inputs) rather than their capital structure.

Cost to Taxpayers: Short sellers, the media, politicians and, often times, the public fail to realize (in some cases intentionally we suspect) that the cost (to the taxpayer) of traditional public schools is actually greater than at a private sector (for-profit) school, when both tax subsidies (received by the public institutions) and income taxes paid (by the for profit schools only) are taken into account.

Three Reasons for the Market's Overreaction: 1) The DOE proposals on gainful employment, which is the one most focused on by investors, is still being hotly debated. **2)** Congressional hearings are adding more headline risk by portraying the sector in a poor manner. **3)** Shortsellers' efforts to paint the industry in a scandalous light by actively lobbying regulators, paying researchers to draft letters to the DOE alleging misconduct, and appearing on Capitol Hill to testify at a high-profile hearing in the U.S. Senate.

Outlook: Over the long run, we believe our investment thesis is still intact. Private sector postsecondary education provides an avenue for at-risk or non-traditional students to receive a quality education with attractive outcomes. To safeguard taxpayers and students, and in keeping with the political climate, increased regulation and reporting is warranted but if the regulators want to "get it right" then they should start by ignoring the bad press that tends to focus on the negative/sensational and short-sellers' biased claims (misrepresentations, half truths, overt manipulation) and focus on the facts.

That, what does not kill you, makes you stronger … private-sector (for-profit) education companies already have begun to raise their admission standards and have put in place systems to help identify students that are not adequately prepared for college with the intent to help mitigate the risk that these students present. Operating in a heavily regulated industry, the private sector education companies have responded well to changing regulations in the past and this time is no different.

Valuation: Not to state the obvious, but at current levels, we believe sector valuations reflect a worst-case scenario. What else can happen? We know the DOE's draft rules, we have seen the preliminary repayment rates (by institution), the Senate will continue to hold hearings through early next year and, perhaps, make some additional law about oversight (they're already regulated and our coverage companies are not the "bad actors"), which could cause growth to slow (margins may be pressured), but the stocks are reflecting these issue and are trading at 8.0x earnings and 4.0x EBITDA. While the concern is a deceleration and decline in earnings, due to proposed regulation and threatened legislation, we view the sell-off as over done.

Investment Thesis Remains Intact

The long-term demand for higher education: The demand for higher education continues to be robust – especially in the current weak economic environment, which provides a cyclical boost to already strong secular demand. With only 35% of the working population (25 and older) in the United States having achieved a four year college degree (approximately 120 million adults do not have a four year degree), the long-term demand fundamentals appear favorable. Furthermore, with a shift towards an information-based economy, more adults will have to pursue higher education to stay competitive in the work environment. According to the Bureau of Labor Statistics, the unemployment rate for those with a college degree was 4.5% in July 2010, less than half the national average (9.5%) and significantly below that of adults with less than a high school diploma (13.8%). Simply stated, college graduates are better off than those with only high-school diplomas, in both good times and bad.

In addition, the lifetime earnings potential for a college-educated adult far exceeds the lifetime earnings potential for an adult without a college degree. Empirical data suggest the added value of a bachelor's degree over a high school diploma or GED is greater than $1 million over the course of a career which, when compared to the average costs of a college education, represents an ROI in excess of 27%, according to some experts. To that end, there is a clear financial benefit to obtaining a higher education. As long as people continue to perceive that college is a means to a better quality of life, demand for higher education will continue to be strong due to the greater opportunity for college educated adults, the higher earnings potential and the lower rate of unemployment.

Public State-Funded Schools Face a Budget Crisis: According to an article in *The Wall Street Journal* (8/17/10), students at state universities in California, Florida and New York, are seeing double-digit tuition increases due to lower taxpayer subsidies. In the past year, 39 states have cut funding to public schools, both community colleges and universities, which is creating capacity constraints. In our opinion, it will be extremely difficult to increase capacity the old fashioned way (ground-based system, which requires significant investment) especially with current budgetary constraints, and would require significant public funding to meet the growing demand for higher education. These budgetary constraints bode well for private sector ("for profits") postsecondary education, which has the resources and capacity, via both geographic physical expansion and online offerings, to meet the demand.

Increased Quality of Industry Operating Models: Some critics of the private sector point to specific instances of aggressive sales tactics, to management teams that "focus on profits rather than the student," and to poor educational quality and student outcomes. While the private sector does not have a perfect track record – mistakes are made, but the well-run institution has a zero tolerance policy towards abuse – we believe these instances (of consumer deception or fraud) are isolated and not "systemic" throughout the publically-traded companies that we cover. These companies have in place quality management teams (experienced operators vs. founders), which have a significant level of experience in the postsecondary education sector and, consequently, with regulations and

regulators. These management teams have repeatedly stated that student outcomes come before profits and student success is the driver of their business models, and that the incentive (of higher revenues and earnings) is to recruit students that will be successful (persist and graduate) rather than those likely to be unsuccessful (as it costs more to recruit a student than is earned from a student who enrolls only to drop out early). Managements at our coverage companies have redoubled their efforts in this regard, but improving institutional outcomes will (unfortunately) come at a cost to society as it will reduce access to higher education for those students who are less prepared (ATB, GED students) who tend to come from lower socioeconomic demographic growth, who are generally less prepared for college and, as such, drop out in higher numbers and default on student loans.

For example, ***Bridgepoint Education (BPI)*** has implemented new admission criteria at Ashford University as part of an effort to improve student retention (and graduation) by screening out those students likely to be unsuccessful. It recently increased the minimum age requirement to 22 (from 18) in their associate's degree programs, created the requirement that new students, with fewer than 24 transfer credits enrolling at Ashford University, to take a two-week orientation class and (those students have not taken an equivalent entry level English and Math course) pass an assessment test. ***Apollo Group (APOL)*** requires new students to take a three-week orientation program prior to enrolling at the University of Phoenix. While early results from this program have been encouraging, especially with regard to retention rates which are higher for students who completed the orientation program compared to students who did not, it has a short-term impact on new student enrollment. Both Bridgepoint and Apollo Group designed these initiatives and programs to assist students with limited college experience, to understand the requirements and the necessary steps to successfully complete a degree and, perhaps more importantly, prior to taking on any student debt since these orientation programs are free.

Others, including ***Corinthian Colleges (COCO)*** and ***Lincoln Educational Services (LINC)*** are reducing (or eliminating altogether) the number of ability-to-benefit (ATB) students they will enroll going foward. While this will reduce enrollment, revenue and earnings in the near term, it will increase the "quality" of the overall student body (higher persistence and graduation rates) by eliminating "access" for these lower socioeconomic groups. As ***Washington Post (WPO)*** CEO Donald Graham was quoted as saying in yesterday's Wall Street Journal, "They aimed at the bad actors and they wound up scoring a direct hit on schools that service low-income students." While a negative for student access, in the intermediate to longer term, these initiatives will benefit both the remaining students and the university (and, by extension, the shareholder) through higher retention rates, better student outcomes (graduation and placement), lower bad debt levels, lower default rates (CDRs) and increased profitability and cash flow growth.

All this is occurring despite Obama's goals to have the highest percentage of college graduates of any developed nation by 2020 which, according to Secretary of Education Arne Duncan, the private (for-profits) sector will play a vital role in realizing this vision.

Economic Benefit to Taxpayers (Society):

Student Outcomes: While the headline proclaims that private sector (for profit) colleges and universities have lower graduation and loan repayment rates than traditional public and private institutions, we would argue that that is more a function of their respective student populations (inputs) rather than their capital structure. For example, while graduation rates at private sector (for profit) institutions are 38% for four-year programs (for first – time, full-time students) compared to 53% at traditional public institutions and 64% at traditional private institutions, graduation rates for two-year private-sector institutions are at 60% compared to two-year public institutions (community colleges) at 22%, which serve similar student populations.

Graduation Rates	4-year	2-year
Public	53%	22%
Not-for-Profit	64%	51%
For-Profit	38%	60%

Furthermore, the recently released "repayment rate" data (see table below) associated with proposed gainful employment regulations, suggest the repayment rate (of Title IV loans) at private sector institutions range from approximately 34-37% compared to approximately 56% at traditional (public) four-year colleges; however, compared more favorably to community colleges, which have a 40% average repayment rate.

IPEDS Data

Average of 2009 Repayment Rate		
SECTOR	Average	Wt. Average ***
Private for-profit 2-year	39%	34%
Private for-profit 4-year or above	37%	37%
Private for-profit less-than-2-year	42%	35%
Private not-for-profit 2-year	60%	52%
Private not-for-profit 4-year or above	57%	56%
Private not-for-profit less-than-2-year	51%	40%
Public 2-year	44%	40%
Public 4-year or above	54%	56%
Public less-than-2-year	53%	51%

*** Wt Average based on original principal balance of loans entering repayment in most recent 4-year period ending in 2009

Source: Barrington's analysis of DOE Data; exculdes values equal to zero

The DOE's principal repayment information indicates that proprietary institutions performed in a similar fashion to public institutions when factoring in the percentage of students who receive Pell grants. Four-year proprietary institutions with a student population of at least 40% Pell grant recipients had a principal repayment rate of approximately 37%, as compared to four-year public institutions, which had a rate of approximately 38%. So it's not a function of capital structure, it's a function of demographics.

Cost to Taxpayers: Short sellers, the media, politicians and, often times, the public fail to realize (in some cases intentionally we suspect) that the cost (to the tax payer) of traditional public schools is actually greater than at a private sector (for profit) school, when both tax subsidies (received by the public institutions) and income taxes paid (by the for profit schools

only) are taken into account. Tax-paying private sector colleges and universities save taxpayers' money, while public and private not-for-profit institutions are directly supported by tax dollars at federal, state and local levels. However, this point is never addressed in political rhetoric. For example, in Senator Harkin's (D-IA) opening remarks during the recent congressional hearings (see below) on higher education, he stated, "We have a responsibility to ensure that taxpayer dollars are being spent wisely," implying the opposite may be true with regard to private sector education institutions. To refute this implication, a recent study done by Apollo Group suggests the cost to taxpayers (inclusive of defaults) is approximately $1,509 per student per year at the University of Phoenix compared with $7,051 at independent private institutions and $11,340 at traditional public institutions. While one might assume an inherent bias (considering the source, Apollo Group), much of this data comes from the Department of Education. Also, we have seen similar results from others, inside and outside the industry, which demonstrate for-profit's cost effectiveness (from a taxpayer's perspective).

Three Reasons for the Sharp Selloff:

DOE Proposing New Rules: On July 26, 2010, the last of two Notice of Proposed Rulemaking (NPRM) was published in the Federal Register and addressed the long-awaited proposed rules related to ***gainful employment*** that arose through the Negotiated Rulemaking (NegReg) process, which ended in January 2010. Under the proposed regulation, in order for a private sector (for profit) education institution to be eligible to participate in Title IV financial aid programs, among other things, it must offer education programs that lead to gainful employment in a recognized occupation. This recent proposed regulation attempts to measure, for the first time, compliance with this standard, which has been a requirement (but simply assumed) for nearly 20 years.

Under the proposed rules, a for-profit postsecondary education program (or a certificate program at a traditional school) will be considered fully eligible for continued Title IV financial aid if they can show that 45% of former students (both grads and drop-outs) are paying down principal on their debt (forbearance and deferment, as well as interest-only consolidated loans, would be counted as not in repayment), or that their debt service is less than 8% of their total income or less than 20% of their discretionary income.

On August 13, the DOE released additional data on repayment rates and shares of those institutions that had institutional repayment rates of less than 45% sold off sharply. It is important to note, however, that those institutions may still qualify under gainful employment if it has a low debt service-to-income ratio (less than 8%). In fact, the DOE said last week that two-thirds of the programs with repayment rates below 35% would remain fully eligible due to their debt-to-income ratio. The table below outlines our analysis by institution.

Average of 2009 Repayment Rate		
SECTOR	Average	Wt. Average***
APEI	47%	47%
APOL	44%	44%
BPI	49%	46%
CECO	32%	34%
COCO	29%	26%
CPLA	40%	40%
DV	39%	38%
EDMC	36%	37%
ESI	33%	32%
LINC	37%	36%
LOPE	52%	52%
NAUH	38%	38%
STRA	25%	25%
UTI	54%	54%
WPO	25%	26%

*** Wt Average based on original principal balance of loans entering repayment in most recent 4-year period ending in 2009

Source: Barrington's analysis of DOE Data; exculdes values equal to zero

These proposed rules are being challenged by many companies in the sector due to the lack of detail on how they were calculated and results that are inconsistent with the companies' internal calculations. However, based on the proposed rules ESI, STRA (coverage companies), CECO, COCO and WPO (non-coverage companies) would be restricted from receiving Title IV funding under the repayment method if they did not qualify under an alternative measure(s) described above.

Fully Eligible	Above 45%	APEI, BPI, LOPE, UTI
Restricted	35% to 45%	APOL, CPLA, DV, EDMC, LINC, NAUH
Ineligible	Below 35%	CECO, COCO, ESI, STRA, WPO

Congressional Hearing Add More Headline Risk: August 4, 2010, the Senate Committee on Health, Education, Labor and Pensions (HELP) held its second hearing focused on the for-profit postsecondary sector. The discussion was billed to focus on marketing and recruiting tactics used by the for-profits. The key witness Gregory Kutz, Managing Director of the GAO, testified that he found 'deceptive and questionable' marketing practices at 15 of 15 for-profit schools visited, and that fraud was encouraged at four colleges (all privately held), during undercover "secret shopper" investigations, conducted by the GAO. The commentary and video clips (in which enrollment counselors misrepresented potential salaries and graduation rates, and not providing access to financial aid staff before enrolling) were damaging to the sector. While Mr. Kutz acknowledged this was not a statistical sample, Senator Tom Harkin (D-IA) said he will conduct at least one more hearing (and possibly others in November and December) and that legislation may be forthcoming, despite several suggestions that increased oversight of existing and proposed regulations would be sufficient In addition, several republicans requested traditional schools also be included in the review, but Senator Harkin refused, arguing that for-profits' motivation for profit makes them different, saying we have "privatized the profit but socialized the risk."

Short Sellers Influence: In efforts to paint the industry in a scandalous light, short sellers have been on a media campaign which, in our opinion, is influencing the thought process on Capitol Hill. It appears that several

short sellers have joined the battle in a systematic force to discredit the private sector education industry. Alleged acts include short sellers actively lobbying the regulators and paying researchers to draft letters to the DOE about recruiters targeting potential students at homeless shelters. The most infamous short seller, Steven Eisman, was actually invited to testify at Senator Harkins' HELP hearings, at a time when policy makers need unbiased facts to determine future policy that will ultimately shape this country. He was also quoted as saying that, "Until recently, I thought that there would never again be an opportunity to be involved with an industry as socially destructive and morally bankrupt as the subprime mortgage industry."

Outlook:

Over the long run, we believe our investment thesis is still intact. Private sector postsecondary education provides an avenue for *at-risk* or *non-traditional* students to receive a quality education with attractive outcomes. While we acknowledge that there are "bad actors" in this (and every other) industry (reference the GAO secret shopper investigation), to say the issues are "systemic" is just false. The colleges and universities that we cover are not the "bad actors." They take their regulatory compliance very seriously

To safeguard taxpayers and students, and in keeping with the political climate, increased regulation and reporting is warranted but if the regulators want to "get it right" then regulators should start by ignoring the bad press that tends to focus on the negative/sensational ("if it doesn't bleed, it doesn't read") and short-sellers' biased claims (misrepresentations, half truths, overt manipulation) and focus on the facts and pass regulation that doesn't discredit the thousands of hard-working alumni who have graduated from these schools, who found meaningful employment in the field of their choice, who continue to pay off their debts and who pay taxes. These students represent the success stories and politicians and regulators ought to be careful that the media/shortsellers' influence doesn't tarnish those accomplishments.

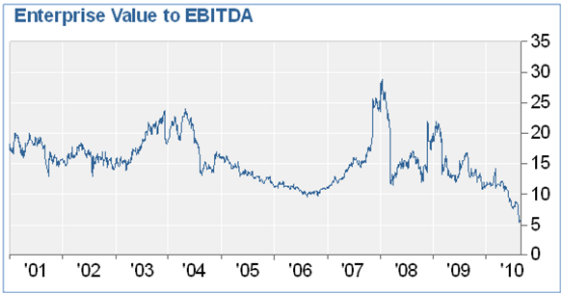
That, what does not kill you, makes you stronger … private-sector (for-profit) education companies already have begun to raise their admission standards and have put in place systems to help identify students that are not adequately prepared for college with the intent to help mitigate the risk that these students present. Operating in a heavily regulated industry, the private sector education companies has responded well to changing regulations in the past and this time is no different in that regard.

Valuation:

Not to state the obvious, but at current levels, we believe sector valuations reflect a worst-case scenario. What else can happen? We know the DOE's draft rules, we have seen the preliminary repayment rates (by institution), the Senate will continue to hold hearings through early next year and, perhaps, make some additional law about oversight (they're already regulated and our coverage companies are not the "bad actors"), which could cause growth to slow (margins may be pressured), but the stocks are reflecting these issue and are trading at 8.0x earnings and 4.0x EBITDA. While the concern is a deceleration and decline in

earnings, due to proposed regulation and threatened legislation, we view the sell-off as over done.

As the negative regulatory cycle comes to a close, the stocks, as such, could be due for a revaluation from current historic lows (see tables below), driven by the perception of easing regulatory risk, improving visibility and a growing level of comfort in their ability to survive and thrive, despite the current administration's scrutiny and shortsellers' efforts to paint the industry in a scandalous light.



The **Barrington Research Postsecondary Education Index** includes APEI, APOL,BPI, CPLA, CECO, COCO, DV, EDMC, ESI, LINC, LOPE, STRA and UTI.

With fundamentals (i.e., demand) solid and regulatory risk manageable (they have always adapted their business models to regulatory changes in the past and continued to grow), we believe this sector, if investors are willing to be patient, could provide substantial return over the next 12-months. Among our **OUTPERFORM**-rated stocks, our favorite names continue to be Bridgepoint Education (BPI) and Grand Canyon Education (LOPE), both of which have attractive valuations and low regulatory risk, followed by DeVry (DV), Education Management (EDMC), ITT Educational Services (ESI) and Lincoln Educational Services (LINC). While the latter four have a higher degree of regulatory risk (repayment rates below 45%, but above 35%), they are high-quality companies with strong management teams, and are poised for a significant rebound (they were hit the hardest) as the negative regulatory cycle comes to an end.

Barrington RESEARCH ASSOCIATES

Postsecondary Education Industry

Financial and Valuation Comparison

August 30, 2010

Company:	Industry Average	Industry Median	American Public Ed		Apollo Group		Bridgepoint Education		Capella Education		Career Education		Corinthian Colleges		DeVry		Education Management		Grand Canyon		ITT Educational		Lincoln Educational		Strayer Education		Universal Technical	
Symbol			**APEI**		**APOL**		**BPI**		**CPLA**		**CECO**		**COCO**		**DV**		**EDMC**		**LOPE**		**ESI**		**LINC**		**STRA**		**UTI**	
Price			$24.94		$43.51		$13.34		$67.15		$18.27		$5.09		$42.76		$8.51		$17.51		$55.46		$11.21		$162.70		$16.03	
52-Wk High			48.95		76.86		27.50		98.01		35.88		20.29		74.36		26.98		28.46		121.98		28.21		262.44		26.77	
52-Wk Low			23.84		38.39		12.75		56.44		17.00		4.23		36.34		8.65		15.33		50.00		9.73		155.50		14.55	
Today's Price Change	-1%	-2%	0%		1%		-2%		-2%		-1%		10%		1%		-3%		-2%		1%		-3%		-3%		-3%	
One-Week Price Change	2%	2%	0%		5%		3%		3%		3%		7%		2%		-3%		2%		3%		1%		1%		-1%	
One-Month Price Change	-33%	-30%	-46%		-10%		-29%		-29%		-28%		-51%		-30%		-43%		-25%		-34%		-46%		-30%		-23%	
Three-Month Price Change	-39%	-36%	-40%		-20%		-38%		-22%		-36%		-64%		-33%		-58%		-30%		-47%		-53%		-32%		-32%	
YTD Price Change	-31%	-28%	-28%		-29%		-11%		-10%		-23%		-65%		-32%		-60%		-7%		-44%		-48%		-23%		-19%	
Price Change from High	-49%	-49%	-49%		-43%		-51%		-31%		-49%		-75%		-42%		-68%		-38%		-55%		-60%		-38%		-40%	
Price Change (2009)	3%	-1%	-1%		-10%		50%		18%		-4%		-29%		8%		22%		5%		-12%		-6%		-2%		0%	
Price Change (2008)	6%	1%	-11%		9%		NA		-10%		-29%		6%		10%		NA		57%		11%		-10%		26%		1%	
Price Change (2007)	53%	13%	109%		80%		NA		170%		1%		13%		86%		NA		NA		28%		9%		61%		-23%	
Fiscal Year			Dec		Aug		Dec		Dec		Dec		Jun*		Jun*		Jun*		Dec		Dec		Dec		Dec		Sep	
Earnings Per Share																												
2009A			$1.27		$4.22		$1.26		$2.51		$1.68		$0.81		$3.87		$1.54		$0.69		$7.91		$1.82		$7.60		$0.48	
2010E	56%		1.48	17%	5.30	26%	1.97	56%	3.67	46%	3.00	79%	1.65	104%	4.55	18%	1.86	21%	1.25	81%	11.25	42%	2.45	35%	9.95	31%	1.30	170%
2011E	18%		1.90	28%	5.65	7%	2.53	28%	4.75	29%	3.56	19%	1.49	-9%	5.25	15%	2.15	16%	1.65	32%	13.00	16%	2.70	10%	12.15	22%	1.60	24%
Consensus (FactSet):																												
2009A (CAL)	80%		1.27	48%	4.57	41%	1.26	154%	2.51	51%	1.68	58%	1.23	97%	3.11	50%	1.04	NA	0.69	306%	7.91	53%	1.82	154%	7.60	34%	0.69	NM
2010E (CAL)	48%		1.51	19%	5.37	18%	2.02	60%	3.71	48%	3.00	79%	1.57	27%	4.24	36%	1.54	48%	1.26	83%	11.23	42%	2.49	37%	9.93	31%	1.37	100%
2011E (CAL)	15%		1.86	23%	5.80	8%	2.48	23%	4.70	27%	3.56	19%	1.16	-26%	4.95	17%	1.92	25%	1.69	34%	12.54	12%	2.66	7%	12.13	22%	1.60	NA
Revenues (in millions)	$1,448	$611	$174		$4,760		$589		$385		$2,024		$1,764		$1,915		$2,509		$330		$1,500		$611		$579		$416	
Book Value Per Share			$5.26		$9.49		$3.40		$12.14		$10.71		$7.78		$16.32		$14.42		$2.43		$4.44		$9.40		$16.58		$4.06	
Valuation Data																												
Investment Rating #			**2**		**1**		**1**		**2**		**-**		**-**		**1**		**1**		**1**		**1**		**1**		**2**		**-**	
P/E 2009A	15.0	10.9	19.6		10.3		10.6		26.8		10.9		6.3		11.0		5.5		25.4		7.0		6.2		21.4		33.4	
2010E	9.7	8.2	16.9		8.2		6.8		18.3		6.1		3.1		9.4		4.6		14.0		4.9		4.6		16.4		12.4	
2011E	7.9	7.7	13.1		7.7		5.3		14.1		5.1		3.4		8.1		4.0		10.6		4.3		4.2		13.4		10.0	
2009A (CAL)	14.4	10.9	19.6		9.5		10.6		26.8		10.9		4.1		13.8		8.2		25.4		7.0		6.2		21.4		23.4	
2010E (CAL)	9.7	8.1	16.6		8.1		6.6		18.1		6.1		3.2		10.1		5.5		13.9		4.9		4.5		16.4		11.7	
2011E (CAL)	8.0	5.4	13.4		7.5		5.4		14.3		5.1		4.4		8.6		4.4		10.4		4.4		4.2		13.4		NA	
Projected EPS Growth	21%	21%	30%		15%		30%		30%		15%		15%		18%		20%		30%		20%		15%		20%		18%	
PEG CAL 2011E	0.3	0.3	0.4		0.5		0.2		0.5		0.3		0.3		0.5		0.2		0.3		0.2		0.3		0.7		0.0	
P/BV	4.5	3.9	4.7		4.6		3.9		5.5		1.7		0.7		2.6		0.6		7.2		12.5		1.2		9.8		3.9	
EV/EBITDA (LTM)	5.4	4.6	7.4		4.6		3.3		9.5		3.1		1.8		5.8		4.4		10.3		3.0		2.2		9.8		4.7	
EV/EBITDA (2011E)	4.0	3.5	5.8		3.5		2.3		6.7		2.3		2.0		4.9		3.5		5.5		2.4		2.0		7.5		3.5	
Price/Sales (LTM)	1.6	1.4	2.7		1.4		1.4		3.0		0.7		0.3		1.6		0.5		2.5		1.3		0.5		3.9		1.0	
Profitability			**Q2/10**		**Q3/10**		**Q2/10**		**Q2/10**		**Q2/10**		**Q4/10**		**Q4/10**		**Q4/10**		**Q2/10**		**Q2/10**		**Q2/10**		**Q2/10**		**Q3/10**	
EBITDA Margin	25.7%	24.5%	30.4%		24.5%		32.1%		25.9%		19.1%		17.6%		24.7%		21.6%		22.6%		40.0%		22.7%		37.0%		15.6%	
Operating Margin	23.0%	21.6%	27.2%		25.8%		30.9%		21.6%		15.7%		13.6%		21.5%		18.7%		21.6%		38.3%		18.4%		34.3%		11.3%	
Pretax Margin	22.6%	21.5%	27.3%		25.5%		31.1%		22.2%		15.7%		13.7%		21.5%		13.9%		21.3%		38.4%		17.7%		34.4%		11.5%	
Net Margin	14.0%	14.2%	16.2%		16.4%		18.4%		14.2%		10.3%		8.3%		14.6%		8.4%		12.8%		23.5%		10.4%		20.8%		7.0%	
Instructional Costs	39.6%	38.4%	38.4%		43.2%		25.9%		39.0%		31.4%		55.2%		43.1%		50.5%		35.5%		33.7%		37.5%		32.1%		49.0%	
Selling & Promotional	23.4%	17.8%	15.1%		22.0%		29.1%		28.6%		NA		20.3%		NA		24.0%		30.6%		NA		NA		17.8%		NA	
Financial			**Q2/10**		**Q3/10**		**Q2/10**		**Q2/10**		**Q2/10**		**Q4/10**		**Q4/10**		**Q4/10**		**Q2/10**		**Q2/10**		**Q2/10**		**Q2/10**		**Q3/10**	
Current Ratio	1.8	1.4	3.5		1.3		1.9		4.9		1.3		1.5		1.5		1.4		1.3		1.3		1.0		1.6		0.9	
Cash Per Share			$4.53		$9.02		$3.06		$11.31		$3.82		$2.35		$4.48		$2.59		$1.59		$8.11		$1.07		$10.28		$3.72	
LT Debt/Capital	12.8%	5.1%	0.0%		7.4%		0.0%		0.0%		0.0%		31.3%		0.0%		42.6%		18.1%		49.4%		13.0%		5.1%		0.0%	
Free Cash Flow Yield	11.4%	10.2%	5.8%		12.4%		9.6%		5.1%		11.6%		25.7%		8.4%		10.7%		3.5%		23.3%		15.8%		5.4%		10.2%	
Return on Equity	47.3%	28.0%	28.0%		54.1%		52.5%		26.4%		23.8%		21.1%		23.7%		10.2%		37.5%		229.3%		25.6%		53.1%		29.1%	
Return on Invested Capital	33.9%	25.4%	26.5%		44.6%		48.6%		24.6%		20.0%		13.3%		21.7%		7.1%		30.9%		105.6%		22.3%		50.1%		25.4%	
Operating Statistics			**JUN-10**		**MAY-10**		**JUN-10**		**JUN-10**		**JUN-10**		**JUN-10**		**JUN-10**		**JUN-10**		**JUN-10**		**JUN-10**		**JUN-10**		**JUN-10**		**JUN-10**	
Total Enrollment			72,300		476,500		67,744		38,669		104,505		110,580		68,290		138,800		36,301		84,695		29,934		52,221		17,600	
Percent Change			+34.9%		+13.3%		+48.9%		+32.1%		+23%		+28.4%		+22.0%		+23.2%		+31.4%		+21.2%		+15.0%		+22.8%		+23.1%	
Same-School Growth			+34.9%		NA		+48.9%		+32.1%		+23%		+14.1%		NA		+21.7%		+31.4%		NA		+15.0%		+12.4%		+23.1%	
Online Enrollment			72,300		NA		67,067		38,669		46,200		NA		NA		38,800		34,596		NA		NA		31,500		NA	
Online Enrollment (% of Total)			100%		~75%		99%		100%		44%		NA		NA		28%		95%		NA		NA		60%		NA	
Rev Per Student	$14,955	$15,950	$2,402		$9,990		$8,695		$9,943		$19,364		$15,950		$28,045		$18,073		$9,101		$17,709		$20,415		$11,082		$23,649	
EBITDA Per Student	$3,652	$3,700	$730		$2,450		$2,794		$2,573		$3,707		$2,804		$6,928		$3,906		$2,054		$7,091		$4,632		$4,100		$3,700	
Mkt Cap Per Student	$11,070	$2,232	$656		$13,807		$1,173		$2,911		$1,401		$424		$45,250		$8,860		$2,232		$22,273		$969		$41,733		$2,219	
FCF Per Student	$1,611	$1,093	$205		$1,709		$359		$582		$1,093		$755		$3,815		$946		$992		$5,198		$1,415		$2,254		$1,621	
Trading Liquidity																												
Insider Ownership			4%		15%		68%		9%		1%		0%		10%		71%		32%		9%		23%		2%		14%	
Institutional Ownership			101%		90%		36%		102%		111%		115%		91%		29%		30%		117%		84%		127%		87%	
Market Cap (In Millions)			$474		$6,579		$795		$1,126		$1,464		$469		$3,090		$1,230		$810		$1,886		$290		$2,179		$390	
Market Float (In Millions)			$457		$5,612		$251		$1,029		$1,449		$467		$2,789		$357		$549		$1,717		$222		$2,125		$338	
Avg Daily Volume (30 Day) (000)			148.428		5,389.103		545.114		159.544		2,209.491		3,184.415		1,293.604		398.539		312.740		1,382.300		217.332		179.671		125.268	

 # RATING SYSTEM: 1 = OUTPERFORM, 2 = MARKET PERFORM, 3 = UNDERPERFORM, '-' = NOT RATED

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