CORINTHIAN COLLEGES INC
Form 10-K
August 23, 2010
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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, 2010

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:

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.0001 par value per share	**Nasdaq National Stock Market**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ 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. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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, 2009, the aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately $1.2 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 August 18, 2010, the number of outstanding shares of voting and non-voting common equity of the registrant was approximately 88,195,781.

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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, or university 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 ED ; and

our fiscal year ends on June 30; references to fiscal 2010, fiscal 2009 and fiscal 2008 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 Regulations and Financial Aid, Risk Factors, Legal Proceedings, 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, anti expect, plan, estimate, forecast, potential, intend, continue, and variations of these words or comparable words. Forward looking stater not guarantee 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 Risk Factors. 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.

EXPLANATORY NOTE

During the fourth quarter of 2008, the Company decided to divest the WyoTech Oakland campus, and the Company has since sold the capital assets of WyoTech Oakland. Additionally, during the fourth quarter of 2008, the Company completed the teach-out of its Lynnwood WA, Everett WA, and Atlanta GA campuses. Accordingly, the results of operations of the campuses are reflected as discontinued operations in our consolidated statements of operations for all prior periods presented. The Company expects to have no significant continuing involvement with these entities.

During the fourth quarter of fiscal 2007, the Company decided to divest all of its Canadian campuses outside of the province of Ontario, Canada, as well as the WyoTech Boston MA campus. The Company sold the non-Ontario Canadian campuses on February 29, 2008. The Company sold WyoTech Boston on May 1, 2008. The Company has no significant continuing involvement with these entities.

The information contained throughout this document is presented on a continuing operations basis, unless otherwise stated.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company s definitive Proxy Statement for the 2010 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after June 30, 2010, 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, serving the large and growing segment of the population seeking to acquire career-oriented education. As of June 30, 2010, we had a student enrollment of 110,580 and operated 101 schools in 25 states, and 17 schools in the province of Ontario, Canada. We offer a variety of diploma programs and associate s, bachelor s and master s degrees through a single operating segment (refer to Note 1 of the accompanying consolidated financial statements for more information). Our training program areas include healthcare, criminal justice, mechanical, trades, business and information technology.

On January 4, 2010 the Company completed its acquisition of Heald Capital, LLC, a Delaware limited liability company (Heald) for consideration of $395 million. Heald, through its subsidiaries, operates Heald College, a regionally accredited institution that prepares students for careers in healthcare, business, legal, information technology and other growing fields, primarily through associate degree programs. Heald College operates 11 campuses and its results are included in the Consolidated Financial Statements from the date of acquisition.

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 85 colleges including the Heald acquisition, (net of closures, discontinued operations, and consolidations) and we have opened 33 branch campuses.

Operating Strategy

Key elements of our operating strategy include the following:

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. We have implemented a variety of student service programs, including orientation and tutoring, academic advising, ride-sharing and referral programs, all of which are designed to help students complete their programs, graduate and achieve their career goals. We use a curriculum development team comprised of campus representatives, corporate program directors, instructional design professionals, and textbook publishers. For each program area, each campus also uses advisory boards comprised of local business professionals to help ensure that our curricula meet employer requirements. We also maintain full-time career services personnel at our schools who are responsible for helping our students obtain employment. Career services identifies prospective employers, helps students prepare resumes, conducts practice interviews, establishes externship programs and tracks students placement success.

Create an Effective Learning Environment. We view our students as customers and seek to provide a supportive learning environment where student satisfaction and success are 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 reasonable class sizes and offer support programs such as on-campus advising and tutoring. 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 and labor market trends. Our schools offer programs in industries which are growing and offer promising career opportunities, including healthcare, criminal justice, mechanical, trades, business and information technology. Our geographic strategy is to build a strong competitive position in attractive and growing markets where we can operate efficiently and benefit from favorable demographic trends.

Standardize Key Business Processes. To help ensure operational efficiency and a consistent student experience across our system of campuses, we are currently standardizing key business processes. Thus far, we have implemented a standard admissions and student finance process and we have nearly completed the process of implementing a new student information system. Additionally, we are beginning to bring in-house certain financial aid processing functions that have historically been handled for us by an external vendor.

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

our campus support center.

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 campus support center management team controls key operational functions such as accounting, information technology, student financial services management, marketing, curriculum development, staff training, the call center, legal, treasury, internal audit, human resources, payroll, purchasing, real estate, and accreditation and licensing which we believe enables us to achieve significant operating efficiencies.

Growth Strategy

Our growth strategy consists of the following components:

Enhance Growth at Existing Campuses

Integrated and Centralized Marketing Program. We employ an integrated marketing program which includes an extensive direct response advertising campaign delivered through television, the Internet, newspaper, and direct mail. A professional staff at our campus support center manages the overall marketing program. The effectiveness of our marketing campaigns depends on timely and accurate lead tracking.

Maximizing Core Programs. Our program strategy leverages our core curricula in such disciplines as healthcare, trades, criminal justice and business. To maximize the adoption of core programs across our network of schools, we have developed detailed, campus-based plans that take into account each school s program mix, facility capacity, and current and projected employer needs. In fiscal 2010, we implemented 70 such programs in our schools.

Facilities Enhancement and Expansion. We believe that modern and attractive facilities enhance the overall student learning experience. 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 schools within their respective markets. During fiscal 2010 we remodeled, relocated, or expanded 43 colleges. As of June 30, 2010, the total square footage of all of our properties was approximately 5.6 million square feet.

Expand Online 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: those attending online classes exclusively, and those attending a blend of traditional classroom and online courses. The majority of our students participating in online learning are now registered in exclusively online programs.

We began enrolling exclusively online students through our Florida-based Everest University schools in fiscal 2002. In the fourth quarter of fiscal 2005, we started to offer exclusively online degrees through our regionally-accredited Everest College in Phoenix, Arizona. Online degree programs are offered in business, criminal justice, accounting, higher education management, criminal investigations, applied management, homeland security, computer information science, and medical insurance billing and coding. In total, 20 accredited degrees are available exclusively online at the master s, bachelor s, and associate s levels.

During fiscal 2010, we experienced a significant increase in the number of students taking our online courses. Our online learning participation increased by approximately 44% to 261,679 course registrations in fiscal 2010. As of June 30, 2010, we offered 326 online courses through 44 campuses. We served approximately 23,396 exclusively online students as of June 30, 2010.

Make Strategic Acquisitions

Since our founding in 1995, acquisitions have been an important part of our growth strategy. Of the 118 campuses operated as of June 30, 2010, 85 colleges have been acquired (net of closures, consolidations, or locations sold). To evaluate acquisition opportunities, we have established several criteria, such as scale, geography, program offerings, accreditation and selected financial measurements.

On January 4, 2010, Corinthian completed the acquisition of Heald Capital, LLC. The transaction was completed in accordance with a Securities Purchase and Sale Agreement, (the Purchase Agreement), dated October 19, 2009. Pursuant to the Purchase Agreement, Corinthian acquired, directly or indirectly, all of the limited liability company membership interests in Heald Capital, LLC (Membership Interests) by purchasing all of the outstanding capital stock of each of two holding companies and by purchasing Membership Interests directly from the previous owners of Heald Capital, LLC for total consideration of $395 million in cash, subject to adjustment as defined in the Purchase Agreement. The consideration paid was financed via existing cash and borrowings of Corinthian.

Corinthian believes the acquisition is strategic given the experienced management team, strong operating metrics, regional accreditation and diverse program offerings and through its expertise and financial commitments it will be able to continue to grow the student population and program offerings.

In addition to acquisition-related activity, we have developed an in-house capability to pursue other business development opportunities. In particular, we are focused on developing federal sources of revenue outside of Title IV. Such sources include programs sponsored by the Department of Defense and the Department of Labor.

Establish Additional Locations

Since our initial public offering in February 1999, we have opened 37 branch campuses, of which 33 remain a part of our operations. Of the 37 branch campuses we have opened since February 1999, 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, 5 were opened in fiscal year 2005 and 3 were opened in fiscal 2006. During fiscal 2010, we opened 1 new branch campus, and, subject to regulatory constraints and other uncertainties, we expect to employ this growth strategy in fiscal 2011 and subsequent years. 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 allows us to enter new geographic markets, create additional capacity in existing markets and effectively leverage our infrastructure and our extensive investment in curricula.

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.

Our diploma curricula includes the following key programs: medical assisting, medical insurance billing and coding, massage therapy, dental assisting, pharmacy technician, medical administrative assisting, automotive and diesel technology, HVAC, surgical technology, plumbing, electrical, licensed practical nursing, electronics and computer technology. Our degree curriculum includes business administration, criminal justice, medical assisting, registered nursing, accounting, paralegal, marketing, computer information technology, legal assisting, hospitality management, applied service management, film and video. At our Everest locations in Florida, Phoenix, AZ, Mesa, AZ, Springfield, MO and Ontario Metro, CA campuses, many associate s degree programs also articulate into a bachelor s degree in the same course of study. Master s degrees are also offered at Everest Florida in business administration and criminal justice.

Diploma programs generally have a duration of 8-24 months, depending on the course of study. Associate s degree programs have a duration of 9-24 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, 2010, we had approximately 50% of students enrolled in diploma programs, approximately 45% of students enrolled in associate s programs, approximately 4% of students enrolled in bachelor s programs and approximately 1% of students enrolled in master s programs.

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The following table reflects our schools, locations, date acquired or opened, principal curricula, institutional accrediting agency, and square footage as of June 30, 2010. In the table below, programs offered are designated as follows: healthcare (HC), business (B), information technology and electronics (IT), criminal justice (CJ), trades and transportation (T), and other miscellaneous programs (OTH)(1).

U.S. Schools and Colleges	Date Acquired/Opened	Principal Curricula	Accrediting Agency	Square Footage
Everest College, Alhambra, CA	1/1/1996	B, HC	ACCSC(4)	42,200
Everest College, Anaheim, CA	7/1/1995	CJ, HC	ACCSC	35,300
Everest College, Arlington (Mid Cities), TX	6/9/2003	B, CJ, HC	ACICS(3)	51,400
Everest College, Arlington, VA	1/2/2002	B, CJ, HC, OTH	ACICS	23,500
Everest College, Aurora, CO	10/1/1996	B, CJ, HC	ACICS	33,000
Everest College, Bremerton, WA	8/4/2003	B, HC	ACICS	18,900
Everest College, Burr Ridge, IL	7/2/2002	HC	ACCSC	29,500
Everest College, Chesapeake, VA	3/1/1999	B, HC, CJ	ACICS	39,200
Everest College, Chicago, IL	6/26/2003	HC	ACCSC	47,300
Everest College, City of Industry, CA	10/1/2000	B, CJ, HC	ACCSC	39,300
Everest College, Colorado Springs, CO	10/1/1996	B, CJ, HC, IT, OTH	ACICS	30,500
Everest College, Dallas, TX	2/3/2003	B, CJ, HC	ACICS	45,800
Everest College, Everett, WA	8/4/2003	HC	ACICS	28,100
Everest College, Fife, WA	8/4/2003	HC	ACICS	7,100
Everest College, Fort Worth, TX	8/24/2004	B, CJ, HC	ACICS	32,800
Everest College, Fort Worth (South), TX	3/22/2010	HC	ACICS	40,900
Everest College, Gardena, CA	1/1/1996	HC	ACCSC	36,700
Everest College, Hayward, CA	9/1/2001	HC	ACCSC	21,200
Everest College, Henderson, NV	10/1/1996	HC, B, CJ	ACICS	31,500
Everest College, Los Angeles, CA	1/1/1996	HC	ACCSC	22,500
Everest College, Merrillville, IN	2/1/2001	B, HC	ACCSC	46,400
Everest College, Merrionette Park, IL	10/19/2005	HC	ACICS	33,800
Everest College Phoenix, Mesa, AZ	11/15/2005	B, CJ, HC	HLC/NCA(5)	21,400
Everest College, Newport News, VA	10/1/1995	B, CJ, HC	ACICS	16,200
Everest College, North Aurora, IL	2/1/2005	B, HC, T	ACCSC	38,500
Everest College, Ontario Metro, CA	1/1/2001	B, CJ, HC	ACICS	40,800
Everest College, Ontario, CA	10/1/2000	B, HC	ACCSC	34,000
Everest College Phoenix, Phoenix, AZ	6/1/2000	B, CJ, HC	HLC/NCA	40,100
Everest College, Portland, OR	10/1/1996	B, CJ, HC, IT, OTH	ACICS	35,400
Everest College, Renton, WA	7/1/1996	HC	ACCSC	41,700
Everest College, Reseda, CA	7/1/1995	HC	ACCSC	33,600
Everest College, Salt Lake City, UT	10/1/1996	HC, B, IT, CJ	ACICS	40,100
Everest College, San Bernardino, CA	7/1/1995	HC, B, CJ, T	ACICS	52,200
Everest College, San Francisco, CA	10/1/1995	HC	ACCSC	30,600
Everest College, San Jose, CA	10/1/1995	HC	ACCSC	20,300
Everest College, Seattle, WA	8/4/2003	HC	ACICS	19,300
Everest College, Skokie, IL	5/1/2001	HC, B	ACCSC	46,200
Everest College, Springfield, MO	10/1/1996	HC, B, IT, CJ	ACICS	26,400
Everest College, St. Louis, MO	3/31/2005	HC, B	ACICS	40,000
Everest College, Tacoma, WA	8/4/2003	HC	ACICS	50,500
Everest College, Thornton, CO (2)	10/1/1996	HC, B, CJ	ACICS	25,900
Everest College, Torrance, CA	1/1/2000	HC	ACCSC	7,300
Everest College, Tyson s Corner, VA	6/2/2004	B, CJ, HC	ACICS	28,600
Everest College, Vancouver, WA	8/4/2003	HC	ACICS	17,900
Everest College, Vancouver, WA	10/1/1996	HC, B, CJ, OTH	ACICS	23,000
Everest College, West Los Angeles, CA	10/1/2000	HC, CJ	ACCSC	31,300
Everest Institute, Austin, TX	10/2/2002	HC, T	ACCSC	51,900
Everest Institute, Brighton, MA	1/1/1996	HC	ACCSC	26,000
Everest Institute, Chelsea, MA	3/30/2004	HC	ACCSC	30,500

Everest Institute, Columbus, OH	9/7/2004	HC, B	ACCSC	28,300
Everest Institute, Cross Lanes, WV	7/1/1995	HC, IT	ACCSC	26,700
Everest Institute, Dearborn, MI	3/1/2001	HC	ACCSC	42,400
Everest Institute, Decatur, GA	5/1/2000	HC, T	ACCSC	50,000
Everest Institute, Detroit, MI	12/23/2003	HC	ACCSC	34,800

U.S. Schools and Colleges	Date Acquired/Opened	Principal Curricula	Accrediting Agency	Square Footage
Everest Institute, Eagan, MN	6/17/2004	HC	ACCSC	23,700
Everest Institute, Ft. Lauderdale, FL	9/30/2003	HC	ACICS	30,700
Everest Institute, Grand Rapids, MI	2/2/2001	HC, B	ACCSC	34,700
Everest Institute, Hialeah, FL	4/1/2002	B, HC, CJ	ACICS	40,600
Everest Institute, Houston (Bissonet), TX	6/30/2004	HC, IT, T	ACCSC	60,500
Everest Institute, Houston (Greenspoint), TX	1/1/2000	HC	ACCSC	27,600
Everest Institute, Houston (Hobby), TX	12/1/2001	HC	ACCSC	30,700
Everest Institute, Jonesboro, GA	4/1/2000	HC	ACCSC	35,600
Everest Institute, Kalamazoo, MI	2/1/2001	HC, B	ACCSC	28,400
Everest Institute, Kendall, FL	4/1/2002	HC, CJ, B	ACICS	36,100
Everest Institute, Marietta, GA	4/1/2000	HC	ACCSC	24,700
Everest Institute, Miami, FL	4/1/2002	HC, CJ, B	ACICS	47,300
Everest Institute, Norcross, GA	3/31/2003	HC	ACCSC	35,600
Everest Institute, Pittsburgh, PA	10/1/1996	HC, B, CJ, OTH	ACICS	39,000
Everest Institute, Rochester, NY	10/1/1996	B, IT, CJ, HC, OTH	ACICS	48,900
Everest Institute, San Antonio, TX	7/1/1995	HC, OTH, T	ACCSC	60,200
Everest Institute, Silver Spring, MD	2/8/2005	HC	ACICS	30,700
Everest Institute, South Plainfield, NJ	12/13/2005	HC	ACCSC	35,000
Everest Institute, Southfield, MI	1/1/1996	HC, IT	ACCSC	46,100
Everest Institute, Tigard, OR	8/4/2003	HC	ACICS	20,600
Everest University, Brandon, FL	10/1/1996	HC, B, IT, CJ	ACICS	49,300
Everest University, Jacksonville, FL	7/1/2000	HC, B, CJ	ACICS	43,000
Everest University, Lakeland, FL	10/1/1996	HC, B, IT, CJ	ACICS	30,400
Everest University, Largo, FL	10/1/1996	HC, B, IT, CJ	ACICS	40,000
Everest University, Melbourne, FL (2)	10/1/1996	HC, B, IT, CJ	ACICS	36,000
Everest University, Orange Park-Jacksonville, FL	3/3/2004	HC, B, CJ, T	ACICS	46,500
Everest University, Orlando (North), FL	10/1/1996	HC, B, IT, CJ, OTH	ACICS	55,700
Everest University, Orlando (South), FL	10/1/1996	HC, B, IT, CJ	ACICS	59,900
Everest University, Pompano Beach, FL	10/1/1996	HC, B, IT, CJ, OTH	ACICS	53,100
Everest University, Tampa, FL (2)	10/1/1996	HC, B, IT, CJ, T	ACICS	58,100
WyoTech, Blairsville, PA (2)	7/1/2002	T	ACCSC	261,200
WyoTech, Daytona Beach, FL	8/4/2004	T	ACCSC	92,400
WyoTech, Fremont, CA	8/7/2003	T	ACCSC	124,900
WyoTech, Laramie, WY	7/1/2002	T	ACCSC	397,000
WyoTech, Long Beach, CA	10/1/2000	T, HC	ACCSC	92,400
WyoTech, Sacramento, CA	1/27/2004	T, CJ	ACCSC	248,500
Heald College, Concord, CA	01/04/2010	HC, B, IT, CJ, OTH	ACCJC/WASC(6)	66,000
Heald College, Fresno, CA (2)	01/04/2010	HC, B, IT, CJ, OTH	ACCJC/WASC	37,600
Heald College, Hayward, CA	01/04/2010	HC, B, IT, CJ, OTH	ACCJC/WASC	58,000
Heald College, Rancho Cordova, CA (2)	01/04/2010	HC, B, IT, CJ, OTH	ACCJC/WASC	45,800
Heald College, Roseville, CA (2)	01/04/2010	HC, B, IT, CJ, OTH	ACCJC/WASC	50,000
Heald College, Salinas, CA	01/04/2010	HC, B, CJ, OTH	ACCJC/WASC	37,900
Heald College, San Francisco, CA	01/04/2010	HC, B, IT, CJ, OTH	ACCJC/WASC	60,700
Heald College, San Jose, CA (2)	01/04/2010	HC, B, IT, CJ, OTH	ACCJC/WASC	55,400
Heald College, Stockton, CA (2)	01/04/2010	HC, B, IT, CJ, OTH	ACCJC/WASC	47,700
Heald College, Honolulu, HI	01/04/2010	HC, B, IT, CJ, OTH	ACCJC/WASC	57,100
Heald College, Portland, OR	01/04/2010	HC, B, IT, CJ, OTH	ACCJC/WASC	39,600
Campus Support Center Offices				
Santa Ana, CA				177,200
Gulfport, MS				5,400
Tampa (Online), FL				133,900
Tampa (Regional), FL				7,300

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	Square Footage
Tempe (Online), AZ	65,500
Washington, DC	2,600
San Francisco, CA	17,300
Colorado Springs (Online), CO	93,500
New locations as of June 30, 2010 (unoccupied)	
Santa Ana, CA	30,900
Modesto, CA	30,000
Total Square Footage for U.S. Properties	5,333,300

Canadian Schools and Colleges	Opened/Acquired	Principal Curricula	Square Footage
Everest College of Business, Technology and Health Care, Barrie, Ontario	08/19/2003	HC, B, CJ, IT	14,200
Everest College of Business, Technology and Health Care, Brampton, Ontario	08/19/2003	HC, B, CJ, IT, OTH	16,400
Everest College of Business, Technology and Health Care, College Park, Ontario	08/19/2003	HC, OTH	29,000
Everest College of Business, Technology and Health Care, Hamilton (Mountain), Ontario	08/19/2003	HC, CJ	18,500
Everest College of Business, Technology and Health Care, Hamilton (City Center), Ontario	08/19/2003	B, HC, IT, CJ	7,800
Everest College of Business, Technology and Health Care, Kitchener, Ontario	08/19/2003	B, HC, CJ, IT	12,600
Everest College of Business, Technology and Health Care, London, Ontario	08/19/2003	HC, IT, B	12,200
Everest College of Business, Technology and Health Care, Mississauga, Ontario	08/19/2003	HC, B, IT, CJ, OTH	30,400
Everest College of Business, Technology and Health Care, Newmarket, Ontario	08/19/2003	HC, B, CJ, IT	16,700
Everest College of Business, Technology and Health Care, North York Ontario	08/19/2003	HC, B, CJ, OTH	17,900
Everest College of Business, Technology and Health Care, Ottawa (West-Nepean), Ontario	08/19/2003	HC, B, IT, CJ	17,400
Everest College of Business, Technology and Health Care, Ottawa (East), Ontario	08/19/2003	HC, B, IT, CJ	32,700
Everest College of Business, Technology and Health Care, Scarborough, Ontario	08/19/2003	HC, B, IT, CJ	17,500
Everest College of Business, Technology and Health Care, Sudbury, Ontario	08/19/2003	B, HC, CJ, IT	12,000
Everest College of Business, Technology and Health Care, Toronto (Central), Ontario	08/19/2003	B, IT, CJ	25,100
Everest College of Business, Technology and Health Care, Thunder Bay, Ontario	08/19/2003	HC, B, IT, CJ	10,800
Everest College of Business, Technology and Health Care, Windsor, Ontario	08/19/2003	HC, B, CJ, IT	12,400
Everest College of Business, Technology and Health Care Campus Support Center	08/19/2003		9,300
Total Square Footage for Canadian Properties			312,900
Total Square Footage for All Properties			5,646,200

(1) OTH means Other and includes programs such as, travel and hospitality, video/film production, and other miscellaneous programs.
(2) Indicates owned properties.
(3) Accrediting Council for Independent Colleges and Schools
(4) Accrediting Commission of Career Schools and Colleges
(5) The Higher Learning Commission A Commission of the North Central Association of Colleges and Schools
(6) Accrediting Commission for Community and Junior Colleges (ACCJC) of the Western Association of Schools and Colleges (WASC)

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Marketing and Recruitment

We employ a variety of methods to attract applicants who will benefit from our programs and achieve success in their chosen careers. The methods include a variety of direct response marketing techniques to generate leads of potential applicants for our schools. Our marketing department generated approximately 2.7 million leads in the United States and Canada in fiscal 2010, primarily through television, internet, direct mail, newspaper, and yellow pages The effectiveness of these marketing campaigns is dependent upon timely and accurate lead tracking.

Our marketing agencies have access to our management information database and are provided with real time information on the effectiveness of individual campaigns. The agencies consult with our marketing department to adjust schedules for advertisements depending on our needs and the effectiveness of the particular advertisements. For the year ended June 30, 2010, approximately 20% of our new student enrollments were generated through television, newspaper and yellow pages marketing, 43% were generated from the Internet, 24% were generated through referrals, 3% were generated through direct mail, and 10% were generated through a variety of other methods.

National Branding

Over the last three fiscal years we have consolidated multiple brand names to increase our company s overall visibility and gain the marketing efficiencies associated with national advertising. As of August 13, 2010 all of our schools operated under one of three national brands, Everest, WyoTech, or Heald. The Everest brand was recently developed by the Company, WyoTech is a well-established brand in automotive training, and Heald brings an increased presence in Northern California, Oregon and Hawaii, as well as a growth platform for campus-based and online regionally accredited programs. As of June 30, 2010, 101 out of 118 schools were operating under the Everest brand, 6 schools were operating under the WyoTech brand, and 11 schools were operating under the Heald brand.

Admissions

As of June 30, 2010, we employed approximately 2,100 admissions representatives 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 semi-annual 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 the ability to succeed in our schools. The majority of prospective students must pass a standardized admissions test. Most of our colleges in the United States have historically accepted 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 ED. As of June 30, 2010, ATB students accounted for approximately 15.1% of total enrollments in our U.S. schools, down from 23.8% at June 30, 2009. However, ATB students are a higher risk population who complete their programs at a lower rate and default on their student loans at a higher rate than high school graduates. Accordingly, given the shift to a 3-year default measurement period, and the structural changes in student lending over the past two years, we intend to stop enrolling ATB students into our U.S. Everest and WyoTech institutions starting on September 1, 2010. We will continue to help our currently enrolled ATB students finish their programs and find employment. In addition, ATB students who dropped out of our programs will be allowed to re-enroll and continue their education.

Placement

Graduate placement outcomes are critical to our colleges reputations and their ability to continue to successfully recruit new students. We maintain a career services department at each college and, as of June 30, 2010, employed approximately 750 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 career services 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 solid results in a difficult economic environment.

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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. Additionally, a dedicated team at the campus support center conducts a verification process to check the accuracy of the placement information gathered by our campuses. Based on information received from these groups of people, we believe that approximately 73.1% of our graduates in calendar year 2009 who were available for placement have been placed in a job for which they were trained by June 30, 2010 as calculated based on accrediting agency standards. The various accrediting agencies 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 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

Tuition rates for our diploma programs in the U.S. and Canada generally range from $7,250 to $36,100, 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 $204 to $457 per undergraduate credit hour, depending upon the program of study (except for Everest College Phoenix Online programs which are charged on a per quarter basis). Tuition for graduate programs ranges from $367 to $548 per credit hour. 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, semester, academic year, or program), the institution may be required to refund tuition previously collected to the originating or disbursing agency or to the student directly, depending on the source of the funds. Refunds are calculated in accordance with the applicable federal, state, provincial or institutional refund policies.

Campus Administration

We establish policies at our campus support center office, implement these policies, and monitor the performance of our schools through the coordination of the president and chief operating officer, 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 student accounts director.

Our schools in Canada are typically smaller and thus employ a smaller management team. As each school s enrollment grows, additional management may be added.

Campus support center personnel manage several key functions, including accounting, information technology, student financial services, financial aid, career services support, marketing, curriculum development, staff training, the call center, legal, treasury, internal audit, human resources, payroll, purchasing, real estate, and accreditation and licensing. Among the principal oversight functions performed by campus support center 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 and has established periodic communication with the college presidents to review key performance indicators such as lead flow, starts, student population, retention, placement, compliance and other operating results to determine the proper course of action.

As required by their respective regional accrediting agencies, Everest College Phoenix and Heald College are overseen by boards of trustees that include a majority of independent representation to review academic integrity and autonomy of the institutions. These governing boards have broad oversight over the schools programs and operations, set the strategic direction for the institutions, play an active role in policy-making, and review financial resources of their schools to ensure the institution is able to provide a sound educational program. In furtherance of that mission, each board of trustees develops policies appropriate to the needs of the school and works closely with the respective schools administrations to, among other things, establish a climate for articulating and promoting the educational vision of the schools.

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Competition

The post-secondary education market in the United States, consisting of approximately 7,000 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 2,900 private, for-profit colleges and schools. The post-secondary education market in Canada is 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 our supportive learning environment, smaller class sizes, large national scale, our faculty, 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.

Facilities

Our campus support center office is located in Santa Ana, California and our 118 campuses as of June 30, 2010, are located in 25 states and in the province of Ontario, Canada. 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 2006 through fiscal 2010, approximately 14% of the campuses have been relocated and an additional approximately 64% 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 and has been updated to reflect solely continuing operations:

	2010	2009	2008	2007	2006
Opened					
Acquired	11	0	0	0	0
Branched	1	0	0	0	3
Closed, combined or sold	0	0	0	2	17
Campuses at year end	118	106	106	106	108
Relocated	1	5	2	2	6
Enlarged or remodeled	42	5	10	6	12

All but nine of our facilities are leased. In addition, we lease our campus support center 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 Jack D. Massimino, Executive Chairman of the Board, Peter C. Waller, Chief Executive Officer and Matt A. Ouimet, President and Chief Operating Officer. They are assisted by the other executive officers of the Company: Kenneth S. Ord, Beth A. Wilson, William B. Buchanan, Mark L. Pelesh, Stan A. Mortensen, Robert C. Owen, and David A. Poldoian. 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, 2010, we had approximately 15,900 employees in the U.S. and Canada, of whom approximately 4,400 were part-time and approximately 900 were employed at or assigned to our campus support center.

Faculty

The faculty members at our colleges are industry professionals and hold appropriate credentials in their respective disciplines. The recruitment of faculty occurs at the campus level. Local leadership is charged with identifying and retaining faculty who possess the requisite academic and experiential qualifications to be successful in working with our students. Faculty are required and encouraged 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, 2010, we employed approximately 5,600 faculty in the United States and

Canada, approximately 1,840 of whom were full-time employees. Faculty represents approximately 35% 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 may be obtained through our website at www.cci.edu, or by contacting our investor relations department after such reports are electronically filed with or furnished to the Securities and Exchange Commission (SEC). 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.

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 August 20, 2010, as well as other significant employees of the Company as defined under Item 401(c) of Regulation S-K:

Names	Ages	Positions
Jack D. Massimino	61	Executive Chairman of the Board
Peter C. Waller	56	Chief Executive Officer
Matt A. Ouimet	52	President and Chief Operating Officer
Kenneth S. Ord	64	Executive Vice President and Chief Financial Officer
Beth A. Wilson	58	Executive Vice President, Operations
William B. Buchanan	44	Executive Vice President, Marketing
Mark L. Pelesh	56	Executive Vice President, Legislative and Regulatory Affairs
Stan A. Mortensen	43	Executive Vice President, General Counsel and Corporate Secretary
Robert C. Owen	49	Senior Vice President and Chief Accounting Officer
David A. Poldoian	57	Executive Vice President and Chief Business Development Officer

Jack D. Massimino, became our Executive Chairman of the Board in July 2009. He served as Chief Executive Officer of the company from November 2004 through June 2009. In addition, he was Chairman of the Board from August 2008 through June 2009. 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.

Peter C. Waller, became our Chief Executive Officer in July 2009. Mr. Waller served as President and Chief Operating Officer of Corinthian from February 2006 through June 2009. Mr. Waller has a 30-year career that includes expertise in marketing, operations and finance. Prior to joining the Company, he served as CEO and then as Executive Partner at ThreeSixty Sourcing, Inc. from 2001 to 2006. Previously he was President of Taco Bell from 1997 to 2000. He first joined Taco Bell in 1996. Prior to his experience at Taco Bell, Mr. Waller spent six years at Kentucky Fried Chicken of PepsiCo where he went from Managing Director for Western Europe, to Marketing Director for the South Pacific based in Sydney, Australia, and finally, to Chief Marketing Officer for KFC in the United States. He began his marketing career in 1975 at Procter and Gamble, United Kingdom, serving as a brand manager in the personal care products category and was later recruited to Gillette in 1981. Mr. Waller holds a Master of Arts degree in Modern History from St. Catherine s College of Oxford University.

Matt A. Ouimet, became our President and Chief Operating Officer in July 2009. Mr. Ouimet joined Corinthian in January 2009 as Executive Vice President, Operations. Prior to joining Corinthian, Mr. Ouimet served as President, Hotel Group for Starwood Hotels & Resorts Worldwide, one of the world s largest hotel and leisure companies. Prior to his association with Starwood, Mr. Ouimet served in a number of key roles of increasing responsibility between 1989 and 2006 at Walt Disney Parks and Resorts. Between 1998 and 2006, Mr. Ouimet held the executive positions of President, Disney Cruise Line; Senior Vice President, New Business Development; and President, Disneyland Resort. Mr. Ouimet holds a Bachelor of Science degree in Accounting from Binghamton University in New York.

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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.

Beth A. Wilson has been employed by us since our inception in July 1995. She was promoted to Executive Vice President in July 2001 and oversees all operational support for accreditation and licensure, curriculum development and quality control, career services, facilities and financial aid. 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 National Education Centers, Inc. 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. Additionally, between 1999 and 2003, and again starting in July 2008 to the present, Ms. Wilson has served as a Commissioner for ACCSC. Ms. Wilson earned a Master s of Business Administration from National University and a Bachelor of Arts degree from California State College, Sonoma.

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, Berkeley.

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 Executive Vice President, General Counsel and Corporate Secretary since May 2009. Prior to his appointment as Executive Vice President, Mr. Mortensen served as our Senior Vice President, General Counsel and Corporate Secretary from August 2002, and as Vice President, General Counsel and Corporate Secretary starting in January 2000. Prior to that time, Mr. Mortensen was an attorney at the law firm of O Melveny & Myers LLP from 1997 through 1999, where his practice focused on securities law, corporate finance, mergers and acquisitions, and general corporate matters. From 1994 through 1996, Mr. Mortensen was an attorney at the law firm of Robins, Kaplan, Miller & Ciresi, where his practice focused on 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 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.

David A. Poldoian joined the Company in November 2004, as President and Chief Operating Officer of the Online Learning division. In January 2008, he was appointed Executive Vice President and Chief Business Development Officer. Prior to joining Corinthian, Mr. Poldoian spent nine years with the Anheuser-Busch Companies beginning in 1995, initially serving as President of its Eagle Snacks, Inc. division and later reporting directly to the Chairman and Chief Executive Officer. Mr. Poldoian was Vice President and Partner with Bain & Company, a strategic consulting firm, from 1986 to 1995. Mr. Poldoian completed a Bachelor of Arts degree at Tufts University, and earned a Master of Business Administration from Harvard Business School.

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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), federal financial aid programs, and loans from the Company or third parties.

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 thereunder by the Department of Education (ED), 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 (Title IV). Under the HEA, regulatory authority is divided among each of the following components: (i) the federal government, which acts through the ED; (ii) the accrediting agencies recognized by the ED; and (iii) state higher education regulatory bodies. Among other things, the HEA and ED 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 HEA is required to be reauthorized on a periodic basis, which most recently occurred in August 2008. The 2008 reauthorization of the HEA, called the Higher Education Opportunity Act (HEOA), made significant changes to the requirements governing the Title IV Programs, including changes that, among other things:

- revised the calculation of cohort default rates regarding federally guaranteed student loans and the threshold rate at which sanctions will be imposed against an institution;
- adjusted the types of revenue that an institution is deemed to have derived from Title IV Programs for purposes of complying with the 90/10 Rule, and modified the sanctions imposed on an institution that derives too much revenue from Title IV Programs;
- Increased the annual maximum amount and availability of Pell grants;
- regulated the relationship between institutions and lenders that make education loans;
- increased the type and amount of information that an institution must disclose to current and prospective students and the public; and
- increased the types of policies and practices that an institution must adopt and follow.

In addition, the U.S. Congress can change the laws affecting Title IV Programs in the annual federal appropriations bills and other laws it enacts between the HEA reauthorizations. In May 2008, the U.S. Congress enacted the Ensuring Continued Access to Student Loans Act of 2008 (Continued Access Act) which, among other things:

- increased the annual and total amount of certain Title IV Program loans that students can receive;

- expanded student eligibility for, and potentially increased the amount of funds available to fund grants under, certain Title IV Programs; and

- expanded parent eligibility and created payment deferment options for parent loans under the Title IV Programs.

In February 2009, the U.S. Congress enacted the American Recovery and Reinvestment Act of 2009 (American Recovery Act) which, among other things, further increased the annual amount of funds available to fund grants under the Pell program.

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We estimate that during fiscal 2010 approximately 84.7% of our students in the U.S. received some federal Title IV financial aid. For purposes of calculating compliance with the 90/10 Rule under the HEOA, an institution is permitted, for a limited period of time, to (i) count as non-Title IV program revenue the additional $2,000 of Stafford loans that became available starting in July 2008 under the Continued Access Act, and (ii) include more revenue derived from non-Title IV Programs, such as revenue from institutional loans under certain circumstances. The ability of institutions to count the additional $2,000 of Stafford loans as non-Title IV revenue expires on July 1, 2011; the ability of institutions to count institutional loans as non-Title IV revenue expires July 1, 2012. Under these modified 90/10 calculations for the 2010 fiscal year, the Company derived approximately 81.9% of its net U.S. revenue (on a cash basis) from Title IV Programs. Excluding such temporary relief, approximately 89.8% of our net U.S. revenues (on a cash basis) was derived from federal Title IV programs.

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 an ED-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 affect the Company s revenue recognition.

Recently, Congress has increased its scrutiny of the for-profit educational sector. On June 17, 2010, the Education and Labor Committee of the U.S. House of Representatives held a hearing to examine the manner in which accrediting agencies review higher education institutions policies on credit hours and program length. On June 24, 2010, the Health, Education, Labor and Pensions Committee of the U.S. Senate (the HELP Committee) held the first in a series of hearings to examine the proprietary education sector and released a report, Emerging Risk : An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education. On August 4, 2010, the HELP Committee held the second hearing in its series, focusing on student recruitment at for-profit schools. Earlier, on June 21, 2010, the Chairmen of each of these education committees, together with other members of Congress, requested the Government Accountability Office (GAO) to conduct a review and prepare a report with recommendations regarding various aspects of the proprietary sector, including recruitment practices, educational quality, student outcomes, the sufficiency of integrity safeguards against waste, fraud and abuse in federal student aid programs and the degree to which proprietary institutions revenue is composed of Title IV and other federal funding sources.

Prior to the HELP Committee s hearing on August 4, 2010, the GAO conducted a series of undercover investigations into the enrollment and recruiting practices at fifteen for-profit institutions of higher education in which GAO investigators with hidden cameras posed as potential new student enrollees. We believe that two of our campuses, one of which was Everest College Phoenix, were among those visited by the GAO. At the HELP Committee hearing on August 4, 2010, the GAO provided testimony that characterized the interactions between our campus personnel and the GAO investigators as deceptive or otherwise questionable. We have requested copies of the videotaped interactions between the GAO investigators and our campus personnel, but our request was denied. Although impeded by this denial, we have nevertheless conducted a review of these allegations assisted by outside counsel and have not identified any intentional misconduct by our employees. We will continue to review any evidence provided by the GAO and will take appropriate actions based on any new evidence we obtain.

Additionally, on August 12, 2010, the President of Everest College Phoenix received a letter from HLC requesting a response to the allegations contained in the GAO report. In addition to seeking a response to the specific circumstances identified in the GAO report, HLC requested that Everest College Phoenix demonstrate that it has reasonable, sufficient, and effective systems in place to assure appropriate control of employees engaged in the recruiting, marketing or admissions process. Everest College Phoenix is in the process of responding to HLC s requests.

On August 5, we received a request for information from the HELP Committee relating to the ongoing series of hearings. We believe this request was extended to approximately thirty proprietary educational companies, including all such publicly traded companies. The request seeks information regarding how we recruit and enroll students, set program price or tuition, determine financial aid including private or institutional loans, track attendance, handle withdrawal of students and return of Title IV dollars and manage compliance with the 90/10 rule. The request also seeks information regarding the number of students who complete or graduate from our programs, how many of those students find work in their educational area, the debt levels of students enrolling and completing programs and information regarding the number of students who risk default within the cohort default rate window.

In furtherance of this, the Committee has requested that we provide information about a broad spectrum of our business, including detailed information relating to financial results, management, operations, personnel, recruiting, enrollment, graduation, student withdrawals, receipt of Title IV Program funds, institutional accreditation, regulatory compliance and other matters. We intend to cooperate with the Committee. The Committee has requested that we produce a portion of the specified information by August 26, 2010 and the remainder of the information by September 16, 2010.

These hearings and the requested GAO review are not formally related to ED s rulemaking process that is currently underway and described in Federal oversight of the Title IV Programs in the U.S. However, the hearings and the requested GAO review could affect the final rules or could lead to further investigations of proprietary schools and the proposal of additional new regulatory requirements by the ED.

We cannot predict the extent to which, or whether, these hearings and review will result in further investigations, legislation or rulemaking affecting our participation in Title IV Programs or other aspects of our business. If any laws or regulations are adopted that limit our participation in Title IV Programs or the amount of student financial aid for which our students are eligible, our business could be adversely and materially impacted.

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

Main Campus(1)	Additional Locations
Everest College, Seattle, WA	Everest College, Fife, WA Everest College, Vancouver, WA Everest College, Tigard, OR
Everest College, Alhambra, CA	Everest Institute, Chelsea, MA
Everest College, Bremerton, WA	Everest College, Everett, WA Everest College, Tacoma, WA Everest College, St. Louis, MO
Everest College, Colorado Springs, CO	Everest College, McLean, VA Everest College, Fort Worth (South), TX
Everest College, Gardena, CA	Everest Institute, Norcross, GA
Everest College, Ontario, CA	Everest Institute, Columbus, OH Everest Institute, Jonesboro, GA
Everest College Phoenix, Phoenix, AZ	Everest College Phoenix, Mesa, AZ
Everest College, Portland, OR	Everest College, Vancouver, WA Everest College, Dallas, TX Everest Institute, Silver Springs, MD
Everest College, Renton, WA	Everest Institute, Houston (Bissonnet), TX
Everest College, Reseda, CA	Everest Institute, Marietta, GA
Everest College, Salt Lake City, UT	Everest College, Fort Worth, TX
Everest College, San Francisco, CA	Everest College, Chicago, IL
Everest College, Skokie, IL	Everest College, Burr Ridge, IL
Everest College, Springfield, MO	Everest College, Ontario Metro, CA
Everest College, Thornton, CO	Everest College, Aurora, CO Everest College, Arlington, VA
Everest Institute, Brighton, MA	Everest College, North Aurora, IL
Everest Institute, Cross Lanes, WV	Everest Institute, Dekalb, GA Everest Institute, Eagan, MN
Everest Institute, Grand Rapids, MI	Everest Institute, Kalamazoo, MI Everest College, Merrillville, IN
Everest Institute, Kendall, FL	Everest Institute, Ft. Lauderdale, FL
Everest Institute, Miami, FL	Everest Institute, Hialeah, FL
Everest Institute, Newport News, VA	Everest Institute, Chesapeake, VA

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Everest Institute, Rochester, NY	Everest College, Arlington (Mid-Cities), TX
Everest Institute, San Antonio, TX	Everest Institute, Houston (Greenspoint), TX Everest Institute, Houston (Hobby), TX
Everest Institute, Southfield, MI	Everest Institute, South Plainfield, NJ Everest Institute, Dearborn, MI Everest Institute, Detroit, MI Everest Institute, Austin, TX
Everest University, Largo, FL	Everest University, Lakeland, FL Everest University, Jacksonville, FL
Everest University, Orlando (North), FL	Everest University, Melbourne, FL Everest University, Orlando (South), FL
Everest University, Pompano Beach, FL	Everest College, Merrionette Park, IL
Everest University, Tampa, FL	Everest University, Brandon, FL Everest University, Orange Park, FL
WyoTech, Laramie, WY	WyoTech, Blairsville, PA WyoTech, Sacramento, CA
WyoTech, Long Beach, CA	Everest College, City of Industry, CA Everest College, West Los Angeles, CA
Heald College, San Francisco, CA	Heald College, Portland, OR Heald College, Honolulu, HI

(1) The above list includes only those main campuses which have one or more branch locations.

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 or approve 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 ED 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 ED 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 ED as depicted in the table below:

Accrediting Agency	Number of Campuses Accredited	% of Total Campuses
Accrediting Commission of Career Schools and Colleges (ACCSC)	44	44%
Accrediting Council for Independent Colleges and Schools (ACICS)	44	43%
The Higher Learning Commission-A Commission of the North Central Association of Colleges and Schools (HLC)	2	2%
Accrediting Commission for Community and Junior Colleges (ACCJC) Western Association of Schools and Colleges (WASC)	11	11%
Total U.S. Campuses as of June 30, 2010	101	100%

The HEA requires accrediting agencies recognized by the ED 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 substantive changes, including a change of ownership, may be required to be reviewed by their accrediting agency. 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 or to add new programs.

Probation and Show Cause Orders. An accrediting agency probation or show cause order may be issued based upon the agency s concerns that an accredited institution may be out of compliance with one or more accrediting standards. Probation or show cause orders afford the institution the opportunity to respond before the institution loses accreditation. 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 probation or show cause order, continue the probation or 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. Institutions on probation or under show cause orders remain accredited while they are on probation. The institutions can continue to enroll new students, and students at the affected institutions remain eligible to receive federal student financial aid.

On May 1, 2009, the Company received notification from The Higher Learning Commission-A Commission of the North Central Association of Colleges and Schools (HLC) that Everest College Phoenix had been placed on probation. Everest College Phoenix consists of two ground

campuses and an online learning division. At June 30, 2010, the combined enrollment for Everest College Phoenix was 5,774 students. The probation action was initiated primarily related to governance issues, and questions about the institution s autonomy with respect to Corinthian s ownership and control of the institution. The institution has made numerous changes to comply with HLC s accreditation criteria and is committed to continuing this process to resolve HLC s concerns. HLC indicated that the probationary process is a period during which it will verify that these changes have, in fact, occurred and effectively meet HLC s standards. On May 17-19, 2010, Everest College Phoenix hosted an HLC evaluation team to verify whether these changes have occurred and effectively meet HLC s standards. In its report on a Comprehensive Evaluation Visit dated August 19, 2010, the evaluation team noted that while there have been some positive developments, deficiencies in the institution s compliance with HLC s accreditation criteria remained unresolved. The evaluation team concluded that adverse action by HLC was warranted, and recommended withdrawal of accreditation of Everest College Phoenix. The evaluation team s report is one of several steps in HLC s process of evaluating the institution s probationary status. Everest College Phoenix and the Company disagree with the evaluation team s conclusions and intend to contest the team s recommendations before the Commission. The Company cannot predict the outcome of this matter with certainty. Since accreditation is required for an institution to be eligible to participate in the federal student financial aid programs, the failure by Everest College Phoenix to satisfactorily resolve its probation with HLC could have a material adverse effect on our business, results of operations and financial condition.

Supplemental Reports. As of June 30, 2010, nine of our colleges were on reporting status to their respective accrediting agencies. The required reports relate primarily to the completion, retention, and/or placement rates of the institutions 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.

The federal government provides substantial 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 ED 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 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. On July 31, 2008, Congress passed the HEOA, which reauthorized and made numerous changes to the HEA and its programs. President Bush signed the HEOA on August 14, 2008. The HEA, as reauthorized and amended by the HEOA, continues the access of our institutions and students to Title IV funds. In addition, changes made to the HEA will affect how our institutions comply with the requirement that they receive a certain proportion of their revenue from other than the Title IV programs and with the cohort default rate requirement. Prior to the enactment of the HEOA, changes made by Congress have expanded the access of our students and institutions to Title IV funds by increasing loan limits for first and second year students and lifting restrictions on on-line education programs and students.

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, prior to June 30, 2010, the two largest were 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 ED 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 2009-2010 award year, the maximum Pell grant increased to $5,350. Amounts received by students enrolled in our institutions in the 2009-2010 award year under the Pell program equaled approximately 29.2% of our U.S. net revenue (on a cash basis). Effective July 1, 2010, the maximum Pell grant increased to $5,550.

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 2009-2010 award year, our contribution was met by approximately $2.2 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 2009-2010 award year equaled approximately 0.6% of our U.S. net revenue (on a cash basis).

FFEL AND FDL. Prior to June 30, 2010, the FFEL program consisted of Stafford Loans, which are subsidized (government pays the interest while the student is in school and during a six-month grace period) and unsubsidized, 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 ED rather than commercial lenders. The conditions on FDL loans are generally the same as on loans that were made under the FFEL program. Under the Stafford Loan program, during fiscal years 2009 and 2010, students may borrow up to $3,500 for the first academic year, $4,500 for the second academic year and, in some educational programs, $5,500 for each of the third and fourth academic years in subsidized loans. 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. Students who are classified as independent, and dependent students whose parents are unable to obtain PLUS loans, can increase their borrowing limits and receive additional unsubsidized Stafford loans. During fiscal years 2009 and 2010, students could obtain an additional $4,000 in unsubsidized loans 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. Effective July 1, 2009, such students may obtain an additional $6,000 in unsubsidized loans for each of the first and second academic years, and an additional $7,000 for subsequent 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 2009-2010 award year equaled approximately 56.5% of our U.S. net revenue (on a cash basis). Amounts received by students in our institutions under the PLUS program in the 2009-2010 award year equaled approximately 3.5% of our U.S. net revenue (on a cash basis).

In March 2010, Congress passed, and the President signed, the Health Care and Education Reconciliation Act of 2010 (the HCERA). The HCERA eliminated the FFEL program in favor of the FDL program effective as of July 1, 2010. While our institutions and students have been eligible to participate in the FDL program, we have significantly more experience in participation in the FFEL program and the continuing transition to the FDL program for the majority of our students involves risks and uncertainty. Additionally, because HCERA eliminates the FFEL program, most private lenders have exited the student loan market and those private lenders remaining may be unwilling to make private loans to our students.

These changes may result in higher administrative costs for schools, including us, related to student loan administration. If the costs of Title IV loans increase and if availability of alternate student financial aid decreases, students may decide not to enroll in a postsecondary institution, which could have a material adverse effect on our enrollments, revenues, and results of operation. Any further actions by the Congress, ED or other regulatory bodies that significantly reduces funding for Title IV Programs or the ability of our students to participate in those program, reduces alternate sources of student financial aid, or establishes different or more stringent requirements for participation in Title IV Programs could have a material adverse effect on our student population, course offerings, financial condition, results of operations and cash flows.

Perkins. Eligible undergraduate students may borrow up to $5,500 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 ED. 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 2009-2010 award year, the amount of Perkins loan repaid by former students totaled approximately $3.6 million.

In the 2009-2010 award year, we had no required matching contribution. The Perkins loans disbursed to students in our institutions in the 2009-2010 award year equaled approximately 0.2% of Our U.S. net revenue (on a cash basis). Congress is currently considering legislative proposals to make major changes to the Perkins program. We cannot predict whether these proposals will be enacted and if they will be beneficial to our students.

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.

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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 ED 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 ED both an audit by an independent accounting firm of that institution s compliance with the Title IV Program requirements, and audited financial statements. The ED 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 ED 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 ED periodically revises its regulations and changes its interpretation of existing laws and regulations.

On June 18, 2010, ED issued a Notice of Proposed Rulemaking (the June NPRM) following a year-long negotiated rulemaking process between ED and the higher education community on 14 Title IV Program integrity issues, which include lender and general student loan issues, accreditation, discretionary grants, general and non-loan programmatic issues, safe harbors under incentive compensation rules for admissions representatives, and standards regarding state authorization for purposes of Title IV Program eligibility.

The June NPRM addressed 13 of 14 program integrity issues in their entirety and partially addressed the 14th issue, which involves the definition of gainful employment; the ED issued a separate NPRM on gainful employment requirements on July 26, 2010 (the July NPRM). Public comment was due on the June NPRM no later than August 2, 2010 and for the July NPRM is due no later than September 9, 2010. The ED has stated that it intends to review all comments it receives with the goal of publishing a final rule by November 1, 2010, which would take effect beginning July 1, 2011.

The two proposed rules that could have the most significant potential impact for our business are:

- the elimination of certain safe harbors regarding the prohibition on the payment of incentive compensation to employees involved in student recruitment, enrollment, admissions, and financial aid; and

- the adoption of a definition of gainful employment for purposes of the requirement for Title IV student financial aid that a program prepare students for gainful employment in a recognized occupation, with that definition linked to a two part test: measuring the relationship between the debt students incur and their incomes after program completion; and measuring the percentage of all enrollees, regardless of completion, who repay principal on their loans during a measurement period.

We cannot predict the outcome of this rulemaking process at this time, or predict with certainty the impact of any new regulations on our operations. These rules could affect the manner in which we conduct our business, and compliance with these rules, (which if adopted could be effective as early as July 1, 2011), could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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. Currently, 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 default on those loans by the end of the next federal fiscal year. Under the HEOA a separate calculation will be performed that will add an additional federal fiscal year of borrowers repayment performance. 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 under the current method of calculation may be found by the ED to lack administrative capability, and on that basis, placed on provisional certification status for up to three years. Additionally, any such institution may be required by its accrediting agency to provide additional information or supplemental reports. 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 ED and possible summary adverse action if that institution commits violations of the Title IV Program requirements. Provisional certification may also impede an institution s ability to grow by limiting its ability to add new programs and locations. Any institution whose Cohort Default Rates equal or exceed 25% for three consecutive years under the current calculation may lose

eligibility to participate in the FDL and the Pell grant programs for the remainder of the federal fiscal year in which the ED determines that such institution has lost its eligibility and for the two subsequent federal fiscal years. Pursuant to the HEOA, this percentage will increase to 30% after three years of Cohort Default Rates calculated with the additional federal fiscal year are available, and then become applicable to the imposition of sanctions. In addition, an institution whose Cohort Default Rate for any federal fiscal year exceeds 40% may have its eligibility to participate in the FDL program limited, suspended or terminated. 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 ED, the HEA provides a formal process for the review and appeal of the accuracy of Cohort Default Rates before the ED takes any action against an institution based on such rates.

In order to improve our overall default rates, we have implemented a multi-faceted cohort default management program in which we increased our overall spending in this area by more than $10 million in the fiscal year ended June 30, 2010. This program includes the following: a contact management system to assist in reaching students who are no longer in school; an internal department focused primarily on early stage delinquencies; an expanded program of entrance and exit counseling and financial literacy training for current students; and the use of outside firms and internal resources to reach borrowers and assist them in contacting their lenders and getting help with alternatives to default, including income-based repayment, forbearance and deferral.

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The following table sets forth the final Cohort Default Rates for our institutions included within total operations of the Company as of June 30, 2010 in the U.S. for federal fiscal years 2005, 2006 and 2007, and the draft rates for 2008:

Institution	2008(2)	2007	2006	2005
Everest College, Seattle, WA (Fife and Vancouver, WA, and Tigard, OR) (1)	12.0%	10.4%	9.0%	5.3%
Everest College, Alhambra, CA (Everest Institute, Chelsea, MA) (1)	18.6%	13.5%	12.2%	10.2%
Everest College, Anaheim, CA	15.0%	9.8%	9.6%	7.7%
Everest College, Colorado Springs, CO (McLean, VA) (1)	19.8%	15.7%	12.5%	11.3%
Everest College, Gardena, CA (Everest Institute, Norcross, GA) (1)	18.3%	18.1%	14.1%	10.5%
Everest College, Hayward, CA (combined with former New Orleans, LA Campus) (1)	20.3%	14.7%	16.1%	8.4%
Everest College, Henderson, NV (1)	22.7%	15.6%	16.2%	13.0%
Everest College, Los Angeles, CA	24.7%	16.9%	15.0%	17.7%
Everest College, Ontario, CA (Columbus, OH and Jonesboro, GA)	16.9%	14.1%	16.6%	12.1%
Everest College, Phoenix, AZ (Mesa, AZ)	20.5%	13.0%	10.5%	13.2%
Everest College, Bremerton, WA (Everett, and Tacoma, WA and St. Louis, MO) (1)	13.5%	13.0%	12.4%	9.6%
Everest College, Portland, OR (Vancouver, WA, and Dallas, TX; Everest Institute, Silver Spring, MD) (1)	23.4%	18.5%	15.0%	14.5%
Everest College, Renton, WA (Lynnwood, WA; Everest Institute, Bissonnet, TX) (1)	25.4%	16.8%	12.4%	6.4%
Everest College, Reseda, CA (Marietta, GA)	12.9%	11.8%	17.4%	9.6%
Everest College, Salt Lake City, UT (Fort Worth, TX)	25.0%	17.2%	12.0%	14.9%
Everest College, San Bernardino, CA	31.1%	20.0%	13.8%	14.2%
Everest College, San Francisco, CA (Chicago, IL) (1)	19.4%	15.5%	12.5%	11.3%
Everest College, San Jose, CA	12.4%	10.1%	12.8%	10.5%
Everest College, Skokie, IL (Burr Ridge, IL) (1)	16.0%	11.7%	9.5%	8.4%
Everest College, Springfield, MO (Ontario Metro, CA) (1)	28.0%	16.8%	16.9%	15.0%
Everest College, Thornton, CO (Aurora, CO, and Arlington, VA) (1)	26.4%	19.6%	17.0%	14.4%
Everest College, Torrance, CA	18.1%	12.3%	11.3%	6.1%
Everest Institute, Brighton, MA (Everest College, North Aurora, IL)	18.1%	13.4%	10.1%	12.5%
Everest Institute, Cross Lanes, WV (Dekalb, GA and Eagan, MN) (1)	20.2%	14.8%	15.5%	13.7%
Everest Institute, Grand Rapids, MI, (Kalamazoo, MI, and Everest College, Merrillville, IN) (1)	19.4%	12.8%	9.8%	8.6%
Everest Institute, Kendall, FL (Ft. Lauderdale, FL) (1)	27.7%	20.0%	13.6%	4.0%
Everest Institute, Miami, FL (Hialeah, FL) (1)	22.5%	18.1%	13.0%	4.5%
Everest Institute, Newport News, VA (Chesapeake, VA) (1)	20.7%	14.6%	15.7%	13.6%
Everest Institute, Pittsburgh, PA	22.9%	20.1%	16.9%	15.3%
Everest Institute, Rochester, NY (Everest College, Arlington (Mid Cities), TX) (1)	25.9%	21.4%	17.6%	15.9%
Everest Institute, San Antonio, TX (Greenspoint, and Hobby, TX) (1)	35.2%	22.3%	18.9%	7.8%
Everest Institute, Southfield, MI (Dearborn and Detroit, MI, Austin, TX, and South Plainfield, NJ) (1)	24.5%	18.6%	15.3%	14.8%
Everest University, Largo, FL (Lakeland and Jacksonville, FL) (1)	23.6%	18.6%	12.4%	10.2%
Everest University, Orlando (North), FL (Orlando (South), and Melbourne, FL) (1)	18.0%	12.6%	8.4%	8.3%
Everest University, Pompano Beach, FL (Everest College, Merrionette Park, IL)	16.1%	11.7%	5.8%	3.1%
Everest University, Tampa, FL (Brandon and Orange Park, FL) (1)	14.0%	12.2%	9.7%	11.4%
Heald College, San Francisco, CA (Portland, OR and Honolulu, HI) (1)	10.7%	N/A	N/A	N/A
Heald College, Rancho Cordova, CA	8.8%	N/A	N/A	N/A
Heald College, Fresno, CA	15.3%	N/A	N/A	N/A
Heald College, Hayward, CA	9.5%	N/A	N/A	N/A
Heald College, Concord, CA	7.4%	N/A	N/A	N/A
Heald College, Roseville, CA	8.9%	N/A	N/A	N/A
Heald College, Milpitas, CA	9.3%	N/A	N/A	N/A

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Institution	2008(2)	2007	2006	2005
Heald College, Stockton, CA	9.7%	N/A	N/A	N/A
Heald College, Salinas, CA	8.5%	N/A	N/A	N/A
WyoTech, Daytona Beach, FL	29.0%	6.9%	6.6%	7.8%
WyoTech, Fremont, CA (Oakland, CA) (1)	17.6%	13.9%	11.8%	11.6%
WyoTech, Laramie, WY (Sacramento, CA and Blairsville, PA) (1)	6.3%	5.0%	3.5%	2.5%
WyoTech, Long Beach, CA (Everest College, West Los Angeles and City of Industry, CA) (1)	21.1%	17.1%	15.9%	16.6%
Consolidated Average Cohort Default Rate	19.2%	15.0%	12.8%	10.5%

(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 in February 2010, and are subject to change when final rates are calculated.
Generally ED publishes draft cohort default rates in February of each year for the repayment period that ended the prior September 30. The preliminary rates are subject to review by the institution, after which the ED publishes final cohort default rates in the following September. On that schedule, the ED published draft cohort default rates for the students who entered repayment between October 1, 2007 and September 30, 2008 (the 2008 Cohort) in February 2010. Of our 49 total institutions, 9 institutions exceeded the 25% threshold during the 2008 Cohort year, and no institutions exceeded the 40% threshold. The 2008 Cohort year was the first year since the Company went public in 1999 that any of our institutions exceeded the 25% threshold for any reporting period. The Company expects ED to publish final cohort default rates for the 2008 cohort in September 2010.

We monitor on an ongoing basis the preliminary data about cohorts which are in the process of repayment, and are currently monitoring the repayment and default status of students who entered repayment during the federal fiscal year ended September 30, 2009 (the 2009 Cohort), and the federal fiscal year ending September 30, 2010 (the 2010 Cohort). The draft cohort default rates for the 2009 Cohort will not be available until February 2011. However, based on currently available information, we believe the number of our institutions which could exceed ED s 25% default rate threshold for the 2009 Cohort will be substantially higher than for the 2008 Cohort, in which nine of our institutions exceeded the 25% default rate threshold.

Prior to the credit crisis in 2008, three types of entities played a role in managing student loan defaults in the FFEL Program: lenders participating in the FFEL Program, such as Sallie Mae; guaranty agencies; and post-secondary institutions such as ours. Since the credit crisis in 2008, many student loan portfolios have been put, or sold, to the federal government by lenders that either went out of business or could no longer fund their FFEL program loans. Lenders still in existence became servicing agents for the loans held by the government. Accordingly, guaranty agencies no longer play a role in default management and lenders roles have been significantly reduced. In addition, since May 2008, ED has distributed put loans to multiple servicers, and many of our students have loans with more than one servicing organization. This has made our default prevention efforts more complicated and difficult. Taken together, the structural changes in student lending have significantly reduced the level of default management activity previously provided by lenders and guaranty agencies. These changes have also negatively affected the timeliness and accuracy of federal databases and thus hindered the Company s efforts at data collection and analysis.

Because of the foregoing factors, and the fact that we expect some of our institutions to exceed the 25% threshold for both the 2008 Cohort and the 2009 Cohort, we can no longer predict that none of our institutions will exceed the 25% threshold for three consecutive years. Although the measurement periods for the 2009 Cohort and the 2010 Cohort do not end until September 30, 2010 and September 30, 2011, respectively, we now believe that up to three of our institutions that exceeded ED s 25% default rate threshold for the 2008 Cohort could exceed the 25% threshold for three consecutive years. Under ED s current two-year default measurement methodology, institutions which exceed the 25% threshold for three consecutive years, or 40% in one year, become ineligible to participate in Title IV programs. The three institutions most at risk of exceeding the 25% threshold for three years in a row had 6,258 students as of June 30, 2010, and represented 6.4% of our net revenues for the fiscal year ended June 30, 2010.

Additionally, we expect the higher two-year rates for the 2009 Cohort to translate into substantially elevated three-year rates for the same cohort, draft results for which we expect to receive in February 2012. Thus, we expect a majority of our institutions to exceed the 30% threshold under the new 3-year measurement for the 2009 Cohort. Sanctions do not become applicable for the 3-year measurement until 2014, at which time final rates will have been published under the three-year measurement for the 2009, 2010 and 2011 Cohorts. We expect to continue our default prevention efforts in order to attempt to improve default rates for the 2010 and 2011 Cohorts during their applicable repayment periods, but it is too early to make predictions about the success of those efforts. Accordingly, we can provide no assurances that our efforts will be successful, and we are unable to predict whether any, or how many, of our institutions will ultimately have cohort default rates in excess of 30% for three years in a row under the three-year measurement methodology.

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. Eleven of our institutions have Perkins

program Cohort Default Rates in excess of 15% for students who were scheduled to begin repayment in the 2008/2009 federal award year, the most recent year for which such rates have been calculated. Of the eleven, only one has provisional certification status which was due to a high Perkins Cohort Default Rate. During fiscal 2010, Perkins loans amounted to a very small percentage of the total cash revenues of the corporation but were still a useful funding source for those schools that participate and make use of those funds. The Perkins program Cohort Default Rates for these institutions generally range from less than 10% to the mid-fifties. Historically, provisional certification due to excessive Perkins program Cohort Default Rates has not had a material adverse effect on our business.

Regulatory Oversight. The HEA provides for a three-part regulatory framework, generally referred to as the Triad, to provide regulatory oversight 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 ED to undergo comprehensive periodic reviews by the ED to ascertain whether such accrediting agency is adhering to required standards.

The second part of the Triad involves the standards to be applied by the ED in evaluating the financial responsibility and administrative capability of institutions participating in the Title IV Programs. In addition, the Triad mandates that the ED 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 ED may recertify an institution for a shorter time period. Under these standards, each of our institutions is evaluated by the ED 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 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 ED. We believe that each of our campuses is in substantial compliance with state authorizing and licensure laws.

ED historically has determined that an institution is licensed or otherwise authorized in order to be certified as eligible to participate in Title IV Programs if the institution s state does not require the institution to obtain licensure or authorization to operate in the state. In the June NPRM, ED proposed new regulations that would consider an institution to be legally authorized by a state if (1) the authorization is given to the institution specifically to offer programs beyond secondary education, (2) the authorization is subject to adverse action by the state and (3) the state has a process to review and appropriately act on complaints concerning an institution and enforces applicable state laws. The proposed regulations present ED s view that a state is expected to take an active role in approving an institution, and that a state should not defer all, or nearly all, of its oversight responsibilities to accrediting agencies for approval of institutions. We cannot predict the form of the regulations which ED ultimately may adopt. If ED adopts these regulations as proposed, which could become legally effective as early as July 1, 2011, certain of our campuses may be required to obtain additional or revised state authorizations to remain certified as eligible to participate in Title IV Programs. If we are unable to obtain additional or revised state authorizations, students at certain of our campuses may be unable to access Title IV Program funds, which could have a material adverse effect on our business, financial condition and results of operations.

Our Everest College Phoenix is accredited by HLC. In December 2009, ED issued an Alert Memorandum, calling into question HLC s compliance with the applicable ED regulations related to HLC s status as recognized by ED. Specifically, ED s Office of the Inspector General (OIG) asserted that HLC did not make appropriate assessments as to credit hours with respect to the distance education programs at an HLC-accredited institution. As such, the OIG recommended that ED take action to determine whether HLC is in compliance with federal regulations related to the recognition of accrediting agencies and, if ED determines that if HLC is not in compliance with such regulations, take action to limit, suspend, or terminate HLC s recognition by ED. Thereafter, in May 2010, the OIG issued a management report to HLC in which the OIG found that HLC does not have an established definition of credit hour or minimum requirements for program length and the assignment of credit hours, which the OIG asserted could result in inflated credit hours, the improper designation of full-time student status, and the over-awarding of Title IV Program funds. We are unable to speculate if or how this matter will be resolved and whether it could impact us or other HLC-accredited institutions if ED were to limit, suspend, or terminate HLC s recognition as an accrediting agency.

If any of our campuses were to lose their accreditation, the Company would continue to generate revenues from continuing students, but would consider teaching out these campuses as they would be significantly competitively disadvantaged compared to other schools where students are eligible to receive federal student financial aid. During any teach-out process, the Company s revenue would decline more rapidly than operating expenses and the Company would expect to incur operating losses at those campuses. The Company could also expect to incur increased bad debt expense if students no longer have access to federal financial aid. Additionally, if the Company were to lose accreditation at one or more of its schools to which it has ascribed value for accreditation as part of purchase accounting, the Company would test the amounts it had allocated to such assets for impairment and would take an impairment charge, if necessary.

We must be licensed or otherwise authorized to operate in each state where we offer education in order to be certified as eligible to participate in Title IV Programs. ED historically has determined that an institution is licensed or otherwise authorized in order to be certified as eligible to participate in Title IV Programs if the institution s state does not require the institution to obtain licensure or authorization to operate in the state. In the June NPRM, ED proposed new regulations that would consider an institution to be legally authorized by a state if (1) the authorization is given to the institution specifically to offer programs beyond secondary education, (2) the authorization is subject to adverse action by the state and (3) the state has a process to review and appropriately act on complaints concerning an institution and enforces applicable state laws. The proposed regulations present ED s view that a state is expected to take an active role in approving an institution, and that a state should not defer all, or nearly all, of its oversight responsibilities to accrediting agencies for approval of institutions. We cannot predict the form of the regulations which ED ultimately may adopt. If ED adopts these regulations as proposed, which could become legally effective as early as July 1, 2011, certain of our campuses may be required to obtain additional or revised state authorizations to remain certified as eligible to participate in Title IV Programs. If we are unable to obtain additional or revised state authorizations, students at certain of our campuses may be unable to access Title IV Program funds, which could have a material adverse effect on our business, financial condition and results of operations.

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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 ED, 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 ED for review. If the ED 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 ED s regulations, that institution could be required to repay such funds, and could be assessed an administrative fine. The ED 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 ED, or the ED 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 ED. Violations of Title IV Program requirements could also subject us or our schools to other civil and criminal penalties.

On May 1, 2009, the Company received notification from The Higher Learning Commission A Commission of the North Central Association of Colleges and Schools (HLC) that Everest College Phoenix had been placed on probation. Everest College Phoenix consists of two ground campuses and an online learning division. At June 30, 2010, the combined enrollment for Everest College Phoenix was 5,774 students, and combined revenue was approximately 5.8% of the Company s total net revenues for the fiscal year ended June 30, 2010. The probation action was initiated primarily related to governance issues and questions about the institution s autonomy with respect to Corinthian s ownership and control of the institution. The institution has made numerous changes to comply with HLC s accreditation criteria and is committed to continuing this process to resolve HLC s concerns. HLC indicated that the probationary process is a period during which it will verify that these changes have, in fact, occurred and effectively meet HLC s standards. On May 17-19, 2010, Everest College Phoenix hosted an HLC evaluation team to verify whether these changes have occurred and effectively meet HLC s standards. In its report on a Comprehensive Evaluation Visit dated August 19, 2010, the evaluation team noted that while there have been some positive developments, deficiencies in the institution s compliance with HLC s accreditation criteria remained unresolved. The evaluation team concluded that adverse action by HLC was warranted, and recommended withdrawal of accreditation of Everest College Phoenix. The evaluation team s report is one of several steps in HLC s process of evaluating the institution s probationary status. Everest College Phoenix and the Company disagree with the evaluation team s conclusions and intend to contest the team s recommendations before the Commission. The Company cannot predict the outcome of this matter with certainty. Since accreditation is required for an institution to be eligible to participate in the federal student financial aid programs, the failure by Everest College Phoenix to satisfactorily resolve its probation with HLC could have a material adverse effect on our business, results of operations and financial condition.

From time to time certain of our institutions have been the subject of program reviews by ED. During the fourth quarter of fiscal 2008 and the first quarter of fiscal 2009, ED conducted site visits at our campuses in Fremont, CA, Reseda, CA, Tampa, FL (including its additional locations in Orange Park and Brandon, FL and its online operations), Gardena, CA and the online division of Everest College Phoenix. Also, in July 2010, ED conducted a site visit at our campus in Colorado Springs, CO, and, in August 2010, ED announced another site visit for the online operations of the Tampa, FL Campus. Site visits are the first step in the program review process. ED then prepares a program review report, the institution has the opportunity to respond, and ED issues a Final Program Review Determination, which may be appealed. We have received Final Determination letters regarding ED s program reviews at the Reseda, CA campus, the Gardena, CA campus, the Tampa campuses and the Tampa online operations (with respect to the first site visit in the first quarter of fiscal 2009), all of which contained no material adverse findings and imposed no fines, penalties, or other liabilities. We have not yet received a program review report with respect to the site visit at our Fremont, CA and Colorado Springs, CO campuses, or the announced, but not yet complete, site visit to our Tampa online operation.

In April 2010, we received ED s program review report (the Report) for Everest College Phoenix, including the online division and the two ground campuses in Phoenix and Mesa, AZ. The Report maintains that Everest College Phoenix has failed to make students aware of the total amounts of financial aid for which they were entitled, failed to accurately inform students of the program costs, and delayed

disbursements of Title IV funds. The report also contains findings regarding inadequate documentation, verification and availability of records for ED review, and the failure to make certain disbursements. In the Report, ED characterizes certain of these findings as misrepresentations by Everest College Phoenix to its students, as a breach of fiduciary duty and as evidencing an intentional evasion of the 90/10 requirements. We disagree with these characterizations. We are in the process of conducting a factual investigation of the findings as well as responding to ED s requests for additional information with respect to certain of the findings. Based upon our investigation and responses to date, we believe we have a reasonable basis to dispute certain of the findings. We have addressed our differences with respect to certain of the findings in an initial submission to ED, and we intend to address other findings in a subsequent submission to ED. We will continue to cooperate fully with ED in its review.

ED will review our response to the Report and ultimately will issue a Final Determination letter regarding the program review, setting forth its final findings as well as the action it intends to take based on those findings. If ED were to make significant findings of non-compliance in its Final Determination letter, it could result in the imposition of significant fines, penalties or other liabilities on Everest College Phoenix, including, without limitation, an action against Everest College Phoenix on the limitation, suspension or termination of its participation in Title IV programs, any of which could have a material adverse effect on our business, results of operations or financial condition. We are unable to predict when ED will complete its review, as program reviews may often take several months or years to reach final resolution.

We are continuing to cooperate with all of the outstanding program reviews. We do not believe that any of our currently pending program reviews with the ED are reasonably likely to have a material adverse effect on the Company. However, if the ED 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.

Starting in late 2008, ED s OIG began an audit of our Everest Institute in Brighton, MA, as well as the WyoTech Boston, MA campus that was sold during May 2008, to determine whether agreements between those institutions and lenders for the period of July 1, 2007 through September 30, 2008 were in compliance with the HEA. On April 26, 2010, we received draft audit reports from the OIG for each of these institutions. In these reports, the OIG did not identify any noncompliance by either institution with the HEA during our ownership, but did conclude that two lenders entered into agreements with us during the relevant period that did not comply with the HEA s prohibitions on offering or paying inducements to institutions to secure loan applicants or offering FFELP loans as an inducement for a borrower to purchase another product from a lender. The draft audit reports indicate that both lenders have been provided with the results of the draft audit reports and both have responded that they do not concur with the results. On August 4, 2010, we received the OIG s final audit report on the Everest Institute in Brighton, MA, and the OIG again identified no noncompliance with the HEA by that institution.

Significant violations of Title IV Program requirements by us or any of our institutions could be the basis for a proceeding by the ED to limit, suspend, or terminate the participation of the affected institution in the 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, 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 ED s recertification process and also annually as each institution submits its audited financial statements to the ED. As part of the evaluation of an institution s financial responsibility, the ED 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 within 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 ED. 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 ED.

For fiscal 2010, 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. For purposes of performing such calculations on an individual school basis, the Company makes certain allocations of corporate cash to the individual campuses. Also, our Company, on a consolidated basis, meets the requirements with a composite score of 1.7.

An institution that is determined by the ED 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 ED 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 ED 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 ED 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 ED has interpreted this surety condition to require the posting of an irrevocable letter of credit in favor of the ED.

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 ED 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 in the aggregate amount of approximately $2.7 million because of late refunds at 4 of our institutions. There can be no assurance that, upon review by the ED, we will not be required to post additional letters of credit in favor of the ED 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 ED and to summary adverse action for violations of Title IV Program requirements and may be impeded in expanding, but provisional certification does not otherwise limit an institution s access to Title IV Program funds. Institutions can also be placed on provisional certification primarily as a result of late refunds, financial aid audit findings and other miscellaneous matters. As of June 30, 2010, nine of our institutions were included in an outstanding letter of credit of $15.8 million due to a change of ownership in 2007. The letter of credit was released in July 2010. Four institutions covering 10 campuses were on provisional certification for other reason.

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 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 ED to have the additional program designated as eligible. However, an institution is not obligated to obtain ED approval of an additional program that leads to an associate s, bachelor s or master s degree if the institution has already been approved to offer programs at that degree level or the institution prepares students for gainful employment in the same or related recognized occupation as an educational program that has previously been designated as an eligible program at that institution and meets certain minimum length requirements. Further, 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 campuses offer such short-term programs in compliance with ED regulations. Students enrolled in such programs represent a small percentage of the total enrollment at our campuses. In the event that an institution erroneously determines that an educational program is eligible for purposes of the Title IV programs without the ED 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-high school graduates into certain of its programs of study. In such instances, the institution must demonstrate that the student has the ability to benefit from the program of study. Ninety-eight of our U.S. campuses admit ATB students into their programs. The basic evaluation method to determine that a student has the ability to benefit from the program is the student s achievement of a minimum score on a test approved by the ED and independently administered in accordance with ED regulations. In addition to the testing requirements, the ED regulations prohibit enrollment of ATB students from constituting 50% or more of the total enrollment of the institution to qualify for Title IV funding. None of our colleges that accept ATB students has an ATB enrollment population that exceeds 50% of the total enrolled population. As of June 30, 2010, ATB students represented approximately 15.1% of our total student population, down from 23.8% at June 30, 2009. Serving ATB students has historically been part of the Company s mission. However, ATB students are a higher risk population who complete their programs at a lower rate and default on their student loans at a higher rate than high school graduates. Accordingly, given the shift to a 3-year default measurement period, and the structural changes in student lending over the past two years, we intend to stop enrolling ATB students into our U.S. Everest and WyoTech institutions

starting on September 1, 2010. We will continue to help our currently enrolled ATB students finish their programs and find employment. In addition, ATB students who dropped out of our programs will be allowed to re-enroll and continue their education.

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The 90/10 Rule . Under a provision of the HEA commonly referred to as the 90/10 Rule, a private, for-profit institution, such as each of our institutions, would cease being eligible to participate in the Title IV Programs if, on a cash accounting basis, more than 90% of its revenue was derived from the Title IV Programs. Prior to the enactment of the HEOA, any institution that violated the 90/10 Rule immediately became ineligible to participate in the Title IV Programs and was unable to apply to regain its eligibility until the following fiscal year. Since this requirement took effect, each of our U.S. institutions has met this requirement in each fiscal year. Under the HEOA, the 90/10 Rule has been modified to permit certain additional types of revenue, some on a temporary basis, to be counted as revenue from sources other than Title IV. In addition, the HEOA now specifies that an institution will not become ineligible until it has exceeded the 90% maximum for two consecutive fiscal years. These changes will afford our institutions additional flexibility in meeting the 90/10 Rule. The legislation, however, also provides that institutions that exceed the 90% limit may be placed on provisional certification and be subject to additional monitoring and that those which violate the 90/10 Rule will be ineligible for two fiscal years before they regain eligibility. Pursuant to the modified 90/10 calculations under the HEOA, the Company derived approximately 81.9% of its net U.S. revenue (on a cash basis) from Title IV Programs for the 2010 fiscal year. We regularly monitor compliance with this requirement in order to minimize the risk that any of our institutions would derive more than the applicable thresholds of its revenue from the Title IV Programs for any fiscal year.

Restrictions on Payment of Bonuses, Commissions or Other Incentives. The HEA prohibits an institution from providing any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any person or entity engaged in any student recruitment, admission or financial aid awarding activity for programs eligible for Title IV Program funds. Historically, there have been twelve safe harbor compensation arrangements that the ED has determined are not in violation of the incentive compensation prohibition, including the payment and adjustment of salaries, bonuses and commissions in certain circumstances. The ED s regulations do not establish clear criteria for compliance in all circumstances, and the ED has announced that it will no longer review and approve individual schools compensation plans. Nonetheless, we believe that our current compensation plans are in compliance with current HEA standards and the ED s regulations, although we cannot provide assurance that the ED will not find deficiencies in our compensation plans.

In the June NPRM, ED proposed to eliminate all twelve safe harbors, and in lieu of the safe harbors, to take the position that any adjustment to compensation based directly or indirectly on securing enrollments or awarding financial aid is inconsistent with the incentive payment prohibition in the HEA. As proposed in the June NPRM, this prohibition would extend all the way to the senior management of an institution or organization. ED states that an institution still would be able to make merit-based adjustments to employee compensation, but would not be permitted to consider nor base compensation directly or indirectly, in any part, on factors such as an employee s success in securing student enrollments, the award of financial aid or institutional goals based on that success. If the final regulations are adopted as proposed, we may have to change some of our compensation practices for admissions representatives and others.

Return of Title IV Funds. In 1998, amendments to the HEA changed substantially the refund requirements regarding the disposition of Title IV funds when a recipient of Title IV funds withdraws from an institution. We believe our return of Title IV funds calculations are in compliance with current regulations to implement these requirements.

Canadian Regulations

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

The schools operated by our Everest Canada division are subject to extensive regulations in the province of Ontario. These schools currently hold the necessary registrations, approvals and permits and meet the eligibility requirements to participate in governmental financial aid program. If these schools cannot continue to meet eligibility standards or fail to comply with applicable requirements, it could have a material adverse effect on our Canadian business, results of operations or financial condition.

Licensing/Registration. Our ability to provide private-for-profit post-secondary education and grant diplomas to graduates in Canada is regulated by Ontario government. In Ontario, the Ontario Ministry of Training, Colleges and Universities is responsible for registering and regulating private-for-profit educational institutions. The Private Career Colleges Act, 2005 (the PCCA) stipulates that an education provider, such as our Canadian schools, must register each of its diploma granting programs for approval as well as each of its campuses with the Ministry. Typical requirements for obtaining this registered status include the financial viability of the campus, the integrity and honesty of the applicant s officers and directors, and the reasonable expectation that the program of study offered by the applicant will provide the skills requisite for employment in the vocation in which it is being trained. Registration must be renewed by the applicant annually. The Province of Ontario has the statutory power to deny, refuse to renew, suspend or revoke our registration if we are in breach of a term or condition of the registration.

Government-Sponsored Financial Aid. Financial aid programs are offered to our Canadian students by the Canadian federal government and the government of Ontario. The Province operates the provincial financial aid program for students and administers these loans in conjunction with the administration of the Canada Student Loans granted to students studying within the province. In order for students enrolled in a program of

study at a private-for-profit educational institution to be eligible for public financial aid, the private-for-profit educational institution, as well as the specific program of study, must be registered in good standing under the applicable PCCA legislation in the Province. In addition, the Province typically requires that to be financial aid eligible, the specific program must be at the post-secondary level, be taught on a full-time

basis, have a duration of not less than 12 weeks and lead to a diploma or certificate conferred upon the student at the completion of the program. The Province also typically requires that the private-for-profit educational institution maintain specific admissions requirements for entrance into eligible programs and retains specific documentation on each student receiving public financial aid.

Financial aid programs provide students with access to funds during their study period based on a needs assessment. The loans are administered through the National Student Loan Service Centre for the program. The funds are loaned interest-free to the student during the study period and interest begins to accrue once a student either completes his or her study or stops attending school. After six months, the student must begin repayment of his or her loan(s). During the student s interest-free period, interest is paid by the federal and/or provincial governments to the National Student Loan Service Centre.

The Ontario government has an initiative to reduce the number of loan defaults in that province. In addition to several other facets of this initiative, the Ministry of Training, Colleges and Universities (the Ministry) has adopted a policy whereby the Ministry will only guarantee defaulted student loans to a certain capped amount, beyond which the applicable private career college is responsible for guaranteeing repayment. For the 2010/11 default cohort year, we have four Ontario locations that were required to issue a promissory note and/or collateral due to the default sharing program. If the default rate in 2013 is below 25%, no payment will be required. Two of these four locations have experienced a default rate exceeding the 25% threshold for the past three years and are required to contract a third party default management provider and participate in a default rate reduction plan for 2010/11.

ALTERNATIVE LOANS FOR OUR STUDENTS

Historically, we had developed several loan programs with origination and servicing providers such as Sallie Mae for students with low credit scores who otherwise would not qualify for loans. These loan programs required that we pay a discount fee to the origination and servicing providers of the loans as a reserve against future defaults on these loans. We have historically referred to these types of loans as discount loans, since we incurred a portion of the default risk related to these student loans by taking a discount on the disbursement. By accepting a reduced payment for these discounted loans from the servicing providers, we were not at risk for the amounts agreed to by them and the service providers but were not entitled to any proceeds collected by the service providers in excess of this amount. Therefore we had recorded this discount as a reduction to revenue.

In fiscal 2008 we were informed by Sallie Mae and two other origination and servicing providers that they would no longer make private loans available for students who present higher credit risks (i.e. subprime borrowers). In the face of this change in policy, we created a new lending program in the fourth quarter of fiscal 2008 with a different origination and servicing provider, Genesis Lending Services, Inc. (Genesis), who specializes in subprime credit. This new lending program has characteristics similar to our previous discount loan programs. As with our previous discount loan program, under this new Genesis program we pay a discount to the origination and servicing provider for any loans purchased by Genesis and record the discount as a reduction to revenue. However, unlike our previous discount loan programs, under our new discount program we have both the right and an obligation to acquire the related loan, except in certain limited circumstances where Genesis does not comply with the terms of our agreement. Since we initiated the new discount program, we have acquired all of the loans that have been originated. Therefore, we are currently exposed to any credit defaults by our students but retain all amounts collected from our students under the current program. Additionally, the new discount loan program has also replaced our legacy loan program, called STAR. We estimate loans funded under the Genesis program, net of estimated refunds, were approximately $120 million for both of the years ended June 30, 2010 and 2009. These amounts are an estimate, as some loans contain amounts that will be recognized during future periods. Accordingly, unrecognized loans amounts are subject to the Company s refund policy.

Included within the Consolidated Statement of Operations, under the caption Other (income) expense, for the years-ended June 30, 2010 and 2009 is net other income of $3.9 million and ($0.6) million, associated with the Genesis notes program, respectively. The net other income primarily reflects the interest income and loan origination fees, partially offset by costs related to servicing loans. We defer and recognize both the loan origination income and direct loan origination costs as an adjustment to the yield over the life of the related loan. All other lending-related costs, including costs related to servicing fees are charged to expense as incurred.

Student notes receivable represent loans that have maturity dates that generally range between 12 months to 60 months from the loan origination date but can have terms as long as 15 years depending on amounts borrowed. The interest rate currently charged on all new loans is a fixed rate of 6.8% with an origination fee of 1 percent. Included in the consolidated balance sheet at June 30, 2010 and 2009 is $68.2 million and $41.5 million in notes receivable, respectively. As of June 30, 2010 the estimated unrecognized Genesis note balance is $13.0 million (net of discount). This amount is subject to the Company s refund policy.

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ITEM 1A. RISK FACTORS
Risks Related To Extensive Regulation Of Our Business

If we fail to follow extensive regulatory requirements for our business, we could suffer severe fines and penalties, including loss of access to federal student loans and grants for our students.

We derive a majority of our revenues on a cash basis from federal student financial aid programs. 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 thereunder by the Department of Education (ED), 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 (Title IV). As a result, our schools are subject to extensive regulations by these agencies that, among other things, require us to:

- undertake steps to assure that our schools do not have Cohort Default Rates that exceed applicable limits;
- limit the percentage of revenues (on a cash basis) derived at each of our institutions from federal student financial aid programs to less than 90%;
- adhere to financial responsibility and administrative capability standards;
- prohibit the payment of certain incentives to personnel engaged in student recruiting, admissions activities or awarding financial aid;
- achieve stringent completion and placement outcomes for short-term programs; and
- make timely refunds of tuition when a student withdraws from one of our institutions.

These regulatory agencies periodically revise their requirements and modify their interpretations of existing requirements. If one or more of our schools were to violate any of these regulatory requirements, we could suffer fines, penalties or other sanctions, including the loss of our ability to participate in federal student financial aid programs at those schools, any of which could have a material adverse effect on our business. We cannot predict how all of these requirements will be applied, or whether we will be able to comply with all of the requirements.

The recently-enacted Health Care and Education Reconciliation Act of 2010 eliminated the Federal Family Education Loan (FFEL) program so that our students may only receive federal student loans through the Federal Direct Loan program; the transition from the FFEL program to the FDL program involves risks and uncertainty for our institutions and students.

Students at our U.S. institutions are currently eligible to receive loans to fund their education under the FFEL program and the William D. Ford Federal Direct Loan (FDL) program. The FFEL program consists of Stafford Loans, which can be both subsidized and unsubsidized, and PLUS loans, which are made available to parents of students classified as dependents. Under the FDL program, students may obtain loans directly from ED rather than commercial lenders. The conditions on FDL loans are generally the same as on loans made under the FFEL program.

In March 2010, Congress passed, and the President signed, the Health Care and Education Reconciliation Act of 2010 (the HCERA). The HCERA eliminated the FFEL program in favor of the FDL program effective as of July 1, 2010. While our institutions and students have been eligible to participate in the FDL program, we have significantly more experience in participation in the FFEL program and the transition to the FDL program for the majority of our students involves risks and uncertainty. For instance, we are uncertain (i) whether our institutions will be able to interface with the FDL origination and servicing functions at the significantly higher expected volumes without interruption or delays; (ii) whether FDL origination and servicing functions will have sufficient capacity to administer the expected significantly higher volume as all higher education institutions in the United States which are currently participating in the FFEL program transition to the FDL program; (iii) whether we could experience delays in receiving disbursements in Title IV funds for our students; and (iv) whether the federal government s

direct administration of the Title IV programs through the FDL will involve changes in the availability of traditional measures we and other private sector institutions have used to manage cohort default rates by, among other things, assisting students with obtaining forbearances, deferments, and income-based repayment. Additionally, because HCERA eliminates the FFEL program, many private lenders have exited the student loan market and may be unwilling to make private loans to our students.

These changes may result in higher administrative costs for schools, including us, related to student loan administration. If the costs of Title IV loans increase and if availability of alternate student financial aid decreases, students may decide not to enroll in a postsecondary institution, which could have a material adverse effect on our enrollments, revenues, and results of operation. Any further actions by the Congress, ED or other regulatory bodies that significantly reduces funding for Title IV Programs or the ability of our students to participate in those program, reduces alternate sources of student financial aid, or establishes different or more stringent requirements for participation in Title IV Programs could have a material adverse effect on our student population, course offerings, financial condition, results of operations and cash flows.

Congress may change eligibility standards or reduce funding for federal student financial aid programs, or other governmental or regulatory bodies may change similar laws or regulations relating to other student financial aid programs, which could adversely affect our business.

Political and budgetary concerns can significantly affect Title IV programs and other laws and regulations governing federal and state student financial aid programs. Title IV programs are made available pursuant to the provisions of the HEA, and the HEA must be reauthorized by Congress approximately every six years. Independent of reauthorization, Congress must annually appropriate funds for Title IV programs. In mid-2008, Congress passed and the President signed the HEOA in order to reauthorize the HEA. Future reauthorizations or appropriations may result in numerous legislative changes, including those that could adversely affect our ability to participate in the Title IV programs and the availability of Title IV and non-Title IV funding sources for our students. Congress also may impose certain requirements upon the state or accrediting agencies with respect to their approval of our schools. Any action by Congress or ED that significantly reduces funding for the federal student financial aid programs or the ability of our schools or students to participate in these programs would have a material adverse effect on our business. Legislative action also may increase our administrative costs and burdens and require us to modify our practices in order for our schools to comply fully with applicable requirements.

In September 2007, Congress passed, and the President signed, legislation which, among other things, decreased private lender and guaranty agency yields for participation in the FFEL programs, decreased student interest rates on FFEL loans, and limited repayment obligations for students who receive loans pursuant to Title IV programs. In the years that followed, many lenders discontinued their participation in the federally guaranteed Title IV loans program. The HEOA requires notification and certification requirements to private non-Title IV program educational loans and makes them subject to the Truth in Lending Act requirements and potential liabilities, which could adversely affect private lenders willingness and ability to make such loans and thereby affect our students ability to access private student loans.

Because a significant percentage of our revenue is derived from Title IV and alternative loan programs, any action by Congress that significantly reduces Title IV program funding, the availability or attractiveness of alternative loans, or the ability of our schools or students to participate in Title IV programs could have a material adverse effect on our business, results of operations or financial condition. Legislative action also could increase our administrative costs and burdens and require us to adjust our practices in order for our schools to comply fully with Title IV program requirements.

Congress recently has commenced hearings and other examinations of the for-profit education sector that could result in further investigations, legislation, ED rulemaking, restrictions on Title IV Program participation by proprietary schools, or other actions that may materially and adversely affect our business.

On June 17, 2010, the Education and Labor Committee of the U.S. House of Representatives held a hearing to examine the manner in which accrediting agencies review higher education institutions policies on credit hours and program length. On June 24, 2010, the HELP Committee held the first in a series of hearings to examine the proprietary education sector and released a report, Emerging Risk?: An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education. On August 4, 2010, the HELP Committee held the second hearing in its series, focusing on student recruitment at for-profit schools. Earlier, on June 21, 2010, the Chairmen of each of these education committees, together with other members of Congress, requested the GAO to conduct a review and prepare a report with recommendations regarding various aspects of the proprietary sector, including recruitment practices, educational quality, student outcomes, the sufficiency of integrity safeguards against waste, fraud and abuse in federal student aid programs and the degree to which proprietary institutions revenue is composed of Title IV and other federal funding sources.

Prior to the HELP Committee s hearing on August 4, 2010, the GAO conducted a series of undercover investigations into the enrollment and recruiting practices at fifteen for-profit institutions of higher education in which GAO investigators with hidden cameras posed as potential new student enrollees. We believe that two of our campuses, one of which was Everest College Phoenix, were among those visited by the GAO. At the HELP Committee hearing on August 4, 2010, the GAO provided testimony that characterized the interactions between our campus personnel and the GAO investigators as deceptive or otherwise questionable. We have requested copies of the videotaped interactions between the GAO investigators and our campus personnel, but our request was denied. Although impeded by this denial, we have nevertheless conducted a review of these allegations assisted by outside counsel and have not identified any intentional misconduct by our employees. We will continue to review any evidence provided by the GAO and will take appropriate actions based on any new evidence we obtain.

Additionally, on August 12, 2010, the President of Everest College Phoenix received a letter from HLC requesting a response to the allegations contained in the GAO report. In addition to seeking a response to the specific circumstances identified in the GAO report, HLC requested that Everest College Phoenix demonstrate that it has reasonable, sufficient, and effective systems in place to assure appropriate control of employees engaged in the recruiting, marketing or admissions process. Everest College Phoenix is in the process of responding to HLC s requests.

These hearings and the GAO investigation are not formally related to ED s rulemaking process currently underway. However, the hearings and the requested GAO review could affect the final rules or could lead to further investigations of proprietary schools and the proposal of additional

new regulatory requirements by the ED.

On August 5, we received a request for information from the HELP Committee relating to the ongoing series of hearings. We believe this request was extended to approximately thirty proprietary educational companies, including all such publicly traded companies. The request seeks information regarding how we recruit and enroll students, set program price or tuition, determine financial aid including private or institutional loans, track attendance, handle withdrawal of students and return of Title IV dollars and manage compliance with the 90/10 rule. The request also seeks information regarding the number of students who complete or graduate from our programs, how many of those students find work in their educational area, the debt levels of students enrolling and completing programs and information regarding the number of students who risk default within the cohort default rate window.

In furtherance of this, the HELP Committee has requested that we provide information about a broad spectrum of our business, including detailed information relating to financial results, management, operations, personnel, recruiting, enrollment, graduation, student withdrawals, receipt of Title IV Program funds, institutional accreditation, regulatory compliance and other matters. We intend to cooperate with the HELP Committee. The HELP Committee has requested that we produce a portion of the specified information by August 26, 2010 and the remainder of the information by September 16, 2010.

We cannot predict the extent to which these hearings and review will result in further investigations, legislation or rulemaking affecting our participation in Title IV Programs or other aspects of our business. If any laws or regulations are adopted that limit our participation in Title IV Programs or the amount of student financial aid for which our students are eligible, our business could be adversely and materially impacted.

If any of our U.S. schools fails to maintain its accreditation or its state authorization, that institution may lose its ability to participate in federal student financial aid programs.

An institution that grants degrees, diplomas or certificates must be authorized by the relevant agencies of the state in which it is located and, in some cases, other states. Requirements for authorization vary substantially among the states. Additionally, both an approval to operate in a state and accreditation by an accrediting agency recognized by the ED are required for an institution to participate in the federal student financial aid programs. If any of our U.S. campuses were to lose its accreditation or its state authorization, it could have a material adverse effect on our business.

On May 1, 2009, the Company s Everest College Phoenix received notification from HLC that it had been placed on probation. At June 30, 2010, the combined enrollment for Everest College Phoenix was 5,774 students, and combined revenue was approximately 5.8% of the Company s total net revenues for the fiscal year ended June 30, 2010. The probation action was initiated primarily related to governance issues and questions about the institution s autonomy with respect to Corinthian s ownership and control of the institution. The institution has made numerous changes to comply with HLC s accreditation criteria and is committed to continuing make progress forward resolving HLC s concerns. HLC indicated that the probationary process is a period during which it will verify that these changes have, in fact, occurred and effectively meet HLC s standards. On May 17-19, 2010, Everest College Phoenix hosted an HLC evaluation team to verify whether these changes have occurred and effectively meet HLC s standards. In its Report on a Comprehensive Evaluation Visit dated August 19, 2010, the evaluation team noted that while there have been some positive developments, deficiencies in the institution s compliance with HLC s accreditation criteria remained unresolved. The evaluation team concluded that adverse action by HLC was warranted, and recommended withdrawal of accreditation of Everest College Phoenix. The evaluation team s report is one of several steps in HLC s process of evaluating the institution s probationary status. The Company and Everest College Phoenix disagree with the evaluation team s conclusions and intend to contest the team s recommendations before the Commission. The Company cannot predict the outcome of this matter with certainty, including without limitation, whether HLC will act or the evaluation team s recommendations to withdraw accreditation of Everest College Phoenix. Since accreditation is required for an institution to be eligible to participate in the federal student financial aid programs, the failure by Everest College Phoenix to satisfactorily resolve its probation with HLC could have a material adverse effect on our business, results of operation and financial condition.

Additionally, in December 2009, ED issued an Alert Memorandum, calling into question HLC s compliance with the applicable ED regulations related to HLC s status as an accrediting agency recognized by ED. Specifically, the OIG asserted that HLC did not make appropriate assessments as to credit hours with respect to the distance education programs at an HLC-accredited institution. As such, the OIG recommended that ED take action to determine whether HLC is in compliance with federal regulations related to the recognition of accrediting agencies and, if ED determines that if HLC is not in compliance with such regulations, take action to limit, suspend, or terminate HLC s recognition by ED. Thereafter, in May 2010, the OIG issued a management report to HLC in which the OIG found that HLC does not have an established definition of credit hour or minimum requirements for program length and the assignment of credit hours, which the OIG asserted could result in inflated credit hours, the improper designation of full-time student status, and the over-awarding of Title IV Program funds. We are unable to predict if or how this matter will be resolved and whether it could impact us or other HLC-accredited institutions if ED were to limit, suspend, or terminate HLC s recognition as an accrediting agency.

Pending rulemaking by ED could result in regulatory changes that could materially adversely affect our business.

The agencies that regulate our U.S. schools, including ED, periodically revise their requirements and modify their interpretations of existing requirements. On September 9, 2009, the Department published a notice in the Federal Register announcing its intent to establish two negotiated rulemaking committees to prepare proposed regulations under Title IV of the HEA. In November 2009, the U.S. Department of Education convened two new negotiated rulemaking teams related to Title IV program integrity issues and foreign school issues.

Under negotiated rulemaking, ED works to develop a Notice of Proposed Rulemaking in collaboration with representatives of the parties who will be affected significantly by the regulations through a series of meetings during which the representatives work with the ED to come to consensus on the ED s proposed regulations. One of the negotiating rulemaking committees addressed the following issues, many of which are

relevant to the Company: satisfactory academic progress; monitoring grade point averages; incentive compensation; gainful employment in a recognized occupation; state authorization as a component of institutional eligibility; definition of a credit hour; verification of information included on a Free Application for Federal Student Aid (FAFSA); definition of a high school diploma for purposes of establishing eligibility to participate in student financial aid programs; misrepresentation of information provided to students and prospective students; ability to benefit; agreements between institutions of higher education; retaking coursework; term-based module programs; institutions required to take attendance for purposes of the Return of Title IV Funds requirements; and timeliness and method of disbursement of Title IV funds. This negotiated rulemaking committee completed its work on January 29, 2010 without reaching consensus. Accordingly, under the negotiated rulemaking protocol, ED was free to propose rules without regard to the tentative agreement reached regarding certain of the rules.

On June 18, 2010, ED issued a Notice of Proposed Rulemaking (the June NPRM) following a year-long negotiated rulemaking process between ED and the higher education community on 14 Title IV Program integrity issues, which include lender and general student loan issues, accreditation, discretionary grants, general and non-loan programmatic issues, safe harbors under incentive compensation rules for admissions recruiters, and standards regarding state authorization for purposes of Title IV Program eligibility.

The June NPRM addressed 13 of 14 program integrity issues in their entirety and partially addressed the 14th issue, which involves the definition of gainful employment; the ED issued a separate NPRM on gainful employment metrics on July 26, 2010 (the July NPRM). Public comment was due on the June NPRM no later than August 2, 2010 and for the July NPRM is due no later than September 9, 2010. The ED has stated that it intends to review all comments it receives with the goal of publishing a final rule by November 1, 2010, which would take effect beginning July 1, 2011.

The two proposed program integrity rules that have the most significant potential impact for our business are the following:

- the elimination of certain safe harbors regarding the prohibition on the payment of incentive compensation to employees involved in student recruitment and enrollment; and

the adoption of a definition of gainful employment for purposes of the requirement for Title IV student financial aid that a program of study prepare students for gainful employment in a recognized occupation.

Incentive Compensation

A school participating in Title IV programs may not pay any commission, bonus or other incentive payments to any person involved in student recruitment or admissions or awarding of Title IV program funds, if such payments are based directly or indirectly on success in enrolling students or obtaining student financial aid. The statutory language of this prohibition does not establish clear criteria for compliance in all circumstances, but historically there have been twelve safe harbors that define specific types of compensation that are deemed not to constitute impermissible incentive compensation. Currently, we rely on several of these safe harbors to ensure that our compensation and recruitment practices comply with the statutory prohibition.

In the June NPRM, ED proposed to eliminate all twelve safe harbors, and in lieu of the safe harbors, to take the position that any adjustment to compensation based directly or indirectly on securing enrollments or awarding financial aid is inconsistent with the incentive payment prohibition in the HEA. As proposed in the June NPRM, this prohibition would extend all the way to the senior management of an institution or organization. ED states that an institution still would be able to make merit-based adjustments to employee compensation, but would not be permitted to consider nor base compensation directly or indirectly, in any part, on factors such as an employee s success in securing student enrollments, the award of financial aid or institutional goals based on that success. If the final regulations are adopted as proposed, we may have to change some of our compensation practices for admissions representatives and others. This could adversely affect our ability to compensate our admissions representatives and other employees in a manner that appropriately reflects their job performance, which in turn could reduce their effectiveness and make it more difficult to attract and retain qualified and competent personnel.

In addition, a lack of certainty could increase the risk of future Federal False Claims Act *qui tam* lawsuits in which private plaintiffs assert that our compensation practices violate the incentive compensation rules and, therefore, that our receipt of Title IV funds constitutes a false claim. We have been the subject of three such *qui tam* lawsuits relating to our compensation practices, all of which have been dismissed at the district court level, but one of which is on appeal to the U.S. Ninth Circuit Court of Appeals.

Gainful Employment

Under the HEA, proprietary schools are eligible to participate in Title IV programs in respect of educational programs that lead to gainful employment in a recognized occupation. Historically, this concept has been interpreted and applied to focus on the objectives of the programs. In the July NPRM, ED proposed to adopt a definition of gainful employment for purposes of the requirement for Title IV student financial aid that a program of study prepare students for gainful employment in a recognized occupation, with that definition linked to a two part test: measuring the relationship between the debt students incur and their incomes after program completion; and measuring the rate at which all enrollees, regardless of completion, repay their loans on time.

If this regulation is adopted in a form similar to that proposed by ED, it could render some of our programs, as well as programs offered by other private sector educational institutions, ineligible for Title IV funding to the extent they do not meet these standards. In addition, the continuing eligibility of our educational programs for Title IV funding would be at risk due to factors beyond our control, such as changes in the income level of persons employed in specific occupations or sectors, increases in interest rates, changes in student mix to persons requiring higher amounts of student loans to complete their programs, changes in student loan delinquency rates and other factors. If a particular program ceased to be eligible for Title IV funding, in most cases it would not be practical to continue offering that course under our current business model. Regulations in the form proposed in the July NPRM could result in a significant realignment of the types of educational programs that are offered by us and by other private sector educational institutions in general, in order to comply with the rules or to avoid the uncertainty associated with compliance over time. This realignment could reduce our enrollment, perhaps materially.

In addition, for those programs that remain eligible only under an alternative basis of student loan repayment rates or other alternative standards, we may have to substantially increase our efforts to promote student loan repayment, course completion or job placement in order to ensure continued Title IV eligibility. This could materially increase our cost of doing business and/or cause us to further limit enrollment.

Potential Impact of Rulemaking

We cannot predict the form of any final rules that may be adopted by the ED. As presented by the ED in the NPRMs, the rules regarding incentive compensation and gainful employment could have a material impact on the manner in which we conduct our business. Compliance with these rules, which if adopted could be effective as early as July 1, 2011, could reduce our enrollment, increase our cost of doing business, and have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our U.S. schools may lose eligibility to participate in federal student financial aid programs if the percentage of their revenues derived from those programs is too high.

Prior to the enactment of the HEOA, a proprietary institution would lose its eligibility to participate in the federal student financial aid programs for a period of one year if it derived more than 90% of its revenues, on a cash basis, from these programs in any fiscal year. Any institution that violated this rule immediately became ineligible to participate in federal student financial aid programs and would be ineligible to reapply to regain its eligibility until the following fiscal year. Under the HEOA, an institution that derives more than 90% of its total revenue from the Title IV programs for two consecutive fiscal years would become immediately ineligible to participate in Title IV programs and would not be permitted to reapply for eligibility until the end of full two fiscal years. Effective July 1, 2008, the annual unsubsidized Stafford loans available for undergraduate students under the FFEL program increased by $2,000 which, coupled with recent increases in grants from the Pell program and other Title IV loan limits, will result in some of our schools experiencing an increase in the revenues they receive from Title IV programs. The HEOA contains relief from recent increases in the availability and amount of federal aid by, among other things, for all unsubsidized Stafford loans disbursed before July 1, 2011, permitting the $2,000 of additional Stafford loan availability to be counted as revenue not derived from Title IV programs. Additionally, for the Company s fiscal years ending on or before June 30, 2012, the HEOA permits loans made by the Company to its students to count as non-Title IV revenue when earned, not when the loans are repaid as was the case for fiscal years 2009 and prior. Based on our calculations as required by the modified calculations under the HEOA, none of our institutions received more than 90% of its revenues, on a cash basis, in fiscal 2010, with our highest institution receiving 89.1% of its revenues, on a cash basis, from federal student financial aid programs. Pursuant to the modified calculation under the HEOA, on a consolidated basis we received 81.9% of our U.S. revenues, on a cash basis, from federal student financial aid programs in fiscal 2010. If Congress fails to extend the exclusion of the additional $2,000 of Stafford loans for periods beginning on or after July 1, 2011, or if Congress fails to extend the ability to count loans made by institutions to their students to be counted as non-Title IV revenue when earned (as opposed to when repaid) for periods beginning on or after July 1, 2012, it would adversely affect our ability to comply with the 90/10 Rule. A decrease in the availability of state grants could also adversely impact our ability to comply with the 90/10 Rule because state grants generally are considered cash payments for purposes of the 90/10 Rule. If any of our institutions, depending on its size, loses eligibility to participate in federal student financial aid programs, it could have a material adverse effect on our business.

As Congress increases available Title IV aid, we are often effectively required to increase tuition prices in order to maintain compliance with the 90/10 Rule; conversely, ED s proposed gainful employment regulations could require us to reduce tuition prices in order to limit the debt burden of our students. If ED s gainful employment regulation is adopted as proposed, our institutions may not be able to comply with both rules.

In order to comply with the 90/10 Rule, the Company s institutions cannot receive more than 90% of their revenues (on a cash basis) from Title IV sources. When Congress has increased available aid to students through the Title IV Program, some of our institutions especially those that serve the most disadvantaged students who are entitled to receive the most Title IV student financial aid have effectively been required to raise their tuition and fees in order to maintain compliance with the 90/10 Rule by maintaining a 10% gap between tuition charges and the average student s available Title IV funds. Under ED s proposed gainful employment regulation, on the other hand, those programs where the average graduate s debt repayment burden exceeds a particular percentage of the average graduate s compensation would cease to be eligible for Title IV Program funds, or would face other restrictions imposed by ED. This requirement would generally put downward pressure on tuition prices so that students do not incur debt that would exceed ED s prescribed levels. If ED s proposed gainful employment regulation is adopted as proposed, some of our programs may not be able to comply with the gainful employment rule while we attempt to maintain compliance with the 90/10 Rule. If the gainful employment rule is adopted as proposed, our efforts to comply with both rules could have a material adverse effect on our business, financial condition, results of operation and cash flows.

Our U.S. schools may lose eligibility to participate in federal student financial aid programs if their current and former students loan default rates on federally guaranteed student loans are too high.

Under the HEA, an institution could lose its eligibility to participate in some or all of the federal student financial aid programs if defaults by its former students on their federal student loans equal or exceed 25% per year for three consecutive years, or 40% in a single year. The term institution means a main campus and its additional locations, as defined by ED s regulations. ED generally publishes draft cohort default rates in February of each year for the repayment period that ended the prior September 30. We review all annually published cohort default rates and appeal the rates we believe are inaccurate. Draft rates do not result in sanctions and can change between February and the release of the official cohort default rates in September.

We monitor on an ongoing basis the preliminary data about cohorts which are in the process of repayment, and are currently monitoring the repayment and default status of students who entered repayment during the federal fiscal year ended September 30, 2009 (the 2009 Cohort), and the federal fiscal year ending September 30, 2010 (the 2010 Cohort). The draft cohort default rates for the 2009 Cohort will not be available until February 2011. However, based on currently available information, we believe the number of our institutions which could exceed ED s 25%

default rate threshold for the 2009 Cohort will be substantially higher than for the 2008 Cohort, in which nine of our institutions exceeded the 25% default rate threshold.

Prior to the credit crisis in 2008, three types of entities played a role in managing student loan defaults in the FFEL Program: lenders participating in the FFEL Program, such as Sallie Mae; guaranty agencies; and post-secondary institutions such as ours. Since the credit crisis in 2008, many student loan portfolios have been put, or sold, to the federal government by lenders that either went out of business or could no longer fund their FFEL program loans. Lenders still in existence became servicing agents for the loans held by the government. Accordingly, guaranty agencies no longer play a role in default management and lenders roles have been significantly reduced. In addition, since May 2008, ED has distributed put loans to multiple servicers, and many of our students have loans with more than one servicing organization. This has made our default prevention efforts more complicated and difficult. Taken together, the structural changes in student lending have significantly reduced the level of default management activity previously provided by lenders and guaranty agencies. These changes have also negatively affected the timeliness and accuracy of federal databases and thus hindered the Company s efforts at data collection and analysis.

Because of the foregoing factors, and the fact that we expect some of our institutions to exceed the 25% threshold for both the 2008 Cohort and the 2009 Cohort, we can no longer predict that none of our institutions will exceed the 25% threshold for three consecutive years. Although the two-year measurement periods for the 2009 Cohort and the 2010 Cohort do not end until September 30, 2010 and September 30, 2011, respectively, we now believe that up to three of our institutions that exceeded ED s 25% default rate threshold for the 2008 Cohort could exceed the 25% threshold for three consecutive years. Under ED s current two-year default measurement methodology, institutions which exceed the 25% threshold for three consecutive years, or 40% in one year, become ineligible to participate in Title IV programs. The three institutions most at risk of exceeding the 25% threshold for three years in a row had 6,258 students at June 30, 2010, and represented 6.4% of our net revenues for the fiscal year ended June 30, 2010.

The 2008 HEOA made significant changes to the requirements governing the Title IV Programs, including the provisions on cohort default rates. Under the HEOA, a separate calculation will be performed starting for the 2009 Cohort that will add an additional federal fiscal year of borrowers repayment performance to the applicable cohort year. Starting after rates for the 2011 Cohort are finalized in 2014, sanctions will be imposed if an institution has a cohort default rate, under the new calculation, of 30% or more per year for three consecutive federal fiscal years, or more than 40% for a single year. As this is a new requirement, we are extending our cohort default management efforts to cover the additional year of measurement under the HEOA. However, we expect the higher two-year rates for the 2009 Cohort to translate into substantially elevated three-year rates for the same cohort, draft results for which we expect to receive in February 2012. Thus, we expect a majority of our institutions to exceed the 30% threshold under the new 3-year measurement for the 2009 Cohort. Sanctions do not become applicable for the 3-year measurement until 2014, at which time final rates will have been published under the three-year measurement for the 2009, 2010 and 2011 Cohorts. We expect to continue our default prevention efforts in order to attempt to improve default rates for the 2010 and 2011 Cohorts during their applicable repayment periods, but it is too early to make predictions about the success of those efforts. Accordingly, we can provide no assurances that our efforts will be successful, and we are unable to predict whether any, or how many, of our institutions will ultimately have cohort default rates in excess of 30% for three years in a row under the three-year measurement methodology.

If any of our institutions, depending on its size, were to lose eligibility to participate in federal student financial aid programs because of high student loan default rates, it could have a material adverse effect on our business.

We intend to discontinue enrolling ATB Students beginning on September 1, 2010. The elimination of this population of potential new student enrollments could adversely affect our business.

Serving ATB students has historically been part of the Company s mission. However, ATB students are a higher risk population who complete their programs at a lower rate and default on their student loans at a higher rate than high school graduates. Accordingly, given the shift to a 3-year default measurement period and the structural changes in student lending over the past two years, we intend to stop enrolling ATB students into our U.S. Everest and WyoTech institutions starting on September 1, 2010. At June 30, 2010, ATB students accounted for approximately 15.1% of our enrollments. The elimination of this population of potential students will negatively impact our expected new student enrollments, which, in turn, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our future financial condition and results of operations could be materially adversely affected if we are required to write down the carrying value of goodwill or other intangible assets.

Goodwill and other intangible assets are tested annually, or more frequently if circumstances indicate potential impairment, by comparing their fair value to the carrying amount at the reporting unit level as defined by the accounting guidance. We determined the fair value of our reporting units using the income approach that includes discounted cash flow as well as other generally accepted valuation methodologies. To the extent the fair value of a reporting unit is less that the carrying amount of its assets, we record an impairment charge in the consolidated statements of operations.

In connection with receipt of federal financial aid by the Company s students, the Company is subject to extensive regulation by governmental agencies and licensing and accrediting agencies. Compliance with the regulations promulgated by these various bodies could have a material impact on the manner in which the Company conducts its business. To the extent known, the Company has incorporated the risks associated with regulatory compliance into the cash flow forecasts and discount rates used to estimate the fair value of each of its reporting units at June 30, 2010. However, should the Company need to take additional actions not currently foreseen to comply with current and future regulations, the assumptions used to calculate the fair value of our reporting units, including estimation of future cash flows, revenue growth, and discount rates, could be negatively impacted and could result in an impairment of goodwill or other intangible assets. At June 30, 2010, the fair value of one of our reporting units with approximately $198.5 million of goodwill exceeded its carrying amount by less than 10%. As a result, a relatively minor negative revision to the estimated future revenue growth or discount rate could result in an impairment to the carrying value of the related goodwill.

In the future, if we are required to significantly write down the value of our goodwill or other intangible assets, it could have a material adverse effect on our financial condition and results of operations.

If we do not meet specific financial responsibility ratios and tests established by the ED, our U.S. schools may lose eligibility to participate in federal student financial aid programs.

To participate in the federal student financial aid programs, an institution must either satisfy quantitative standards of financial responsibility, or post a letter of credit in favor of the ED and possibly accept other conditions on its participation in the federal student financial aid programs.

Each year, based on financial information submitted by institutions that participate in federal student financial aid programs, the ED calculates three financial ratios for an institution: an equity ratio, a primary reserve ratio and a net income ratio. Each of these ratios is scored separately and then combined to determine the institution s financial responsibility or composite score. If an institution s score is above 1.5, it may continue its participation in federal student financial aid programs. For fiscal 2010, our calculations show that all of our schools exceed this requirement on an individual basis and are eligible to participate in the federal student financial aid programs, with composite scores ranging from 1.5 to 3.0. On a consolidated basis, we also exceed this requirement with a composite score of 1.7. We cannot assure you that we and our institutions will continue to satisfy the numeric standards in the future.

One or more of our institutions may have to post a letter of credit or be subject to other sanctions if they do not correctly calculate and timely return Title IV Program funds for students who withdraw before completing their program of study.

A school participating in Title IV Programs must correctly calculate the amount of unearned Title IV Program funds that was disbursed to students who withdrew from their educational programs before completing them, and must return those unearned funds in a timely manner, generally within 45 days of the date the school determines that the student has withdrawn. If the unearned funds are not properly calculated and timely returned, we may have to post a letter of credit in favor of the ED or be otherwise sanctioned by the ED. An institution is required to post a letter of credit with the ED in an amount equal to 25% of the total dollar amount of unearned Title IV Program funds that the institution was required to return with respect to withdrawn students during its most recently completed fiscal year, if the institution was found in an audit or program review to have untimely returned unearned Title IV Program funds with respect to 5% or more of the students in the audit or program review sample of withdrawn students, in either of its two most recently completed fiscal years. The requirement to post a letter of credit or other sanctions by the ED could increase our cost of regulatory compliance and adversely affect our results of operations.

If regulators do not approve our acquisitions, the acquired school(s) would not be permitted to participate in federal student financial aid programs.

When we acquire an institution that participates in federal student financial aid programs, we must seek approval from the ED and most applicable state agencies and accrediting agencies, because an acquisition is considered a change of ownership or control of the acquired institution under applicable regulatory standards. A change of ownership or control of an institution under the ED standards can result in the temporary suspension of the institution s participation in the federal student financial aid programs unless a timely and materially complete application for recertification is filed with the ED and the ED issues a temporary certification document. If we are unable to obtain approvals from the state agencies, accrediting agencies or ED for any institution we may acquire in the future, depending on the size of that acquisition, such a failure to obtain approval could have a material adverse effect on our business.

If regulators do not approve transactions involving a change of control or change in our corporate structure, we may lose our ability to participate in federal student financial aid programs.

Additionally, if regulators do not approve transactions involving a change of control of the Company, we may lose our ability to participate in federal financial aid programs. If we experience a change of control under the standards of applicable state agencies or accrediting agencies or the ED, we or the affected institutions must seek the approval of the relevant agencies. Some of these transactions or events, such as a significant acquisition or disposition of our common stock by third parties on the open market or through a tender offer, may be beyond our control. The adverse regulatory effect of a change of ownership resulting in a change of control could also discourage bids for our outstanding shares of common stock at a premium and could have an adverse effect on the market price of our common stock.

If we fail to demonstrate administrative capability to the ED, our business could suffer.

ED regulations specify extensive criteria an institution must satisfy to establish that it has the requisite administrative capability to participate in federal student financial aid programs. These criteria require, among other things, that the institution:

- comply with all applicable federal student financial aid regulations;
- have capable and sufficient personnel to administer the federal student financial aid programs;
- have acceptable methods of defining and measuring the satisfactory academic progress of its students;
- provide financial aid counseling to its students; and
- submit all reports and financial statements required by the regulations.

If an institution fails to satisfy any of these criteria, the ED may:

- require the repayment of federal student financial aid funds;
- transfer the institution from the advance system of payment of federal student financial aid funds to the reimbursement system of payment or cash monitoring;
- place the institution on provisional certification status; or
- commence a proceeding to impose a fine or to limit, suspend or terminate the participation of the institution in federal student financial aid programs.

Should one or more of our institutions be limited in their access to, or lose, federal student financial aid funds due to their failure to demonstrate administrative capability, our business could be materially adversely affected.

Regulatory agencies or third parties may conduct compliance reviews, commence investigations, bring claims or institute litigation against us.

Because we operate in a highly regulated industry, we may be subject from time to time to program reviews, audits, investigations, claims of non-compliance, or lawsuits by governmental agencies or third parties, which may allege statutory violations, regulatory infractions, or common law causes of action. If the results of the investigations are unfavorable to us or if we are unable to successfully defend against third-party lawsuits, we may be required to pay money damages or be subject to fines, penalties, injunctions or other censure that could have a materially adverse effect on our business. We also may be limited in our ability to open new schools or add new program offerings and may be adversely impacted by the negative publicity surrounding an investigation or lawsuit. Even if we adequately address the issues raised by an agency review or investigation or successfully defend a third-party lawsuit, we may suffer interruptions in cash flows due to, among other things, transfer from the advance funding to the reimbursement or heightened cash monitoring method of Title IV program funding, and we may have to devote significant money and management resources to address these issues, which could harm our business. Additionally, we may experience adverse collateral consequences, including declines in the number of students enrolling at our schools and the willingness of third parties to deal with us or our schools, as a result of any negative publicity associated with such reviews, claims or litigation.

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Investigations, claims and actions against companies in our industry could adversely affect our business and stock price.

During the past decade, we and other companies in the for-profit postsecondary education industry have been subject to intense regulatory scrutiny. In some cases, allegations of wrongdoing have resulted in reviews or investigations by the Justice Department, state attorneys general, the Securities and Exchange Commission (the SEC), the ED, state agencies, accrediting agencies and other entities. These allegations, reviews and investigations and the accompanying adverse publicity could have a negative impact on the for-profit postsecondary education industry in general, our business and the market price of our common stock.

We are subject to sanctions if we pay impermissible commissions, bonuses or other incentive payments to individuals involved in certain recruiting, admissions or financial aid activities.

An institution participating in Title IV Programs may not provide any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any person or entity engaged in any student recruitment or admission activity or in making decisions regarding the awarding of Title IV Program funds. The law and regulations governing this requirement do not establish clear criteria for compliance in all circumstances. If the ED determined that one of our institution s compensation practices violated these standards, the ED could subject the institution to monetary fines, penalties, or other sanctions. Additionally, the Company has been, and may in the future be, the subject of *qui tam* actions in federal court by former employees on behalf of themselves and the federal government alleging violations of False Claims act because of alleged violations of the incentive compensation prohibitions in the HEA. See Item 3. Legal Proceedings. Any substantial fine or penalty or other sanction levied against one or more of our schools could have a material adverse effect on our financial condition, results of operations and cash flows.

Failure to comply with extensive Canadian regulations could affect the ability of our Canadian schools to participate in Canadian financial aid programs.

Our post-secondary schools in Canada derive a significant percentage of their revenue on a cash basis from Canadian governmental financial aid programs, and our Canadian students receive loans under student financial aid programs.

Our Canadian schools must meet eligibility standards to administer these programs and must comply with extensive statutes, rules, regulations and requirements. If our Canadian schools cannot meet these and other eligibility standards or fail to comply with applicable requirements, it could have a material adverse effect on our business.

Additionally, the Canadian and Ontario provincial governments continuously review the legislative, regulatory and other requirements relating to student financial assistance programs due to political and budgetary pressures. Although we do not currently anticipate a significant reduction in the funding for these programs, any change that significantly reduces funding or the ability of our schools to participate in these programs could have a material adverse effect on our business and results of operations.

Operational Risks That Could Have a Material Adverse Effect on Our Business

If our students are unable to obtain private loans from third party lenders, our business could be adversely affected.

The education finance industry has experienced and may continue to experience problems that have resulted in fewer overall financing options for some of our students. Factors that could impact the general availability of loans to our students include:

- changes in overall economic conditions or overall uncertainty or disruption in capital markets, in either case causing lenders to cease making student loans, limit the volume or types of loans made or impose more stringent eligibility or underwriting standards;

- the financial condition and continued financial viability of student loan providers;

- changes in applicable laws or regulations, such as provisions of the HEOA that impose disclosure and certification requirements with respect to private educational loans, that could have the effect of reducing the availability of education financing, including as a result of any lenders choosing to provide fewer loans or to stop providing loans altogether in light of increased regulation, or which

could increase the costs of student loans; or

determinations by lenders to reduce the number of loans, or to cease making loans altogether, to students attending or planning to attend certain types of schools, particularly for-profit schools.

The consumer credit markets in the United States have suffered over the past several years from increases in default rates and foreclosures on mortgages, which in some cases have called into question the continued financial viability of certain student loan providers and has resulted in fewer providers of student loans. Providers of federally guaranteed student loans and alternative student loans have also experienced increases in default rates. Adverse market conditions for consumer and federally guaranteed student loans have resulted in providers of alternative loans reducing the attractiveness and/or decreasing the availability of alternative loans to post-secondary students, including students with low credit scores who would not otherwise be eligible for credit-based alternative loans. Prospective students may find that these increased financing costs make borrowing prohibitively expensive and abandon or delay enrollment in post-secondary education programs.

While we are taking steps to address the private loan needs of our students, the inability of our students to finance their education could cause our student population to decrease, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Our Genesis discount student loan program could have a material adverse effect on our financial condition, results of operations and cash flows.

Our Genesis discount student loan program enables students who have exhausted all available government-sponsored or other aid and are ineligible for private loans from other financial institutions to borrow a portion of their tuition and other educational expenses at our schools if they or a co-borrower meet certain criteria. Historically, we had developed several loan programs with origination and servicing providers such as Sallie Mae for students with low credit scores who otherwise would not qualify for loans. These loan programs required that we pay a discount fee to the origination and servicing providers of the loans as a reserve against future defaults on these loans. We have historically referred to these types of loans as discount loans, since we incurred a portion of the default risk related to these students loans by taking a discount on the disbursement.

In early 2008 we were informed by Sallie Mae and two other origination and servicing providers that they would no longer make private loans available for students who present higher credit risks (i.e. subprime borrowers). In the face of this change in policy, we created a new student lending program with a different origination and servicing provider, Genesis, who specializes in subprime credit. This new Genesis loan program has characteristics similar to our previous discount loan programs. Under this Genesis loan program, we pay a discount to the origination and servicing provider. As with our previous discount loan program, we record the discount as a reduction to revenue, as the collectability of these amounts is not reasonably assured. However, unlike our previous discount loan programs, under our Genesis discount loan program we have both the right and the obligation (subject to certain limitations in our agreement with Genesis), to acquire the related loans. Since we initiated the program in the fourth quarter of fiscal 2008, we have acquired all of the loans that have been originated.

Federal, state and local laws and public policy and general principles of equity relating to the protection of consumers apply to the origination, servicing and collection of the loans that we purchase under this program. Any violation of the various federal, state and local laws, including, in some instances, violations of these laws by parties not under our control, may result in losses on the loans that we purchase or may limit our ability to collect all or part of the principal or interest on the loans that we purchase. This may be the case even if we are not directly responsible for the violations by such parties. Federal or state financial regulators also might delay or suspend the new student loan program for a variety of reasons. Additionally, depending on the terms of the loans, state consumer credit regulators may assert that our activities in connection with the new student loan program require us to obtain one or more licenses, registrations or other forms of regulatory approvals, any of which may not be able to be obtained in a timely manner, if at all.

For the Genesis discount loans that we acquire, we will bear the risks of collection. Therefore, even though we will record the discount as a reduction to revenue, to the extent collections are less than the net amount of revenue recorded, we may still experience increase in our allowance for doubtful accounts and our bad debt expense may increase. Factors that may impact our ability to collect these loans include general economic conditions, compliance with laws applicable to the origination, servicing and collection of loans, the quality of our loan servicers performance and the priority that borrowers, particularly students who did not complete or were dissatisfied with their programs of study, attach to repaying these loans as compared to other obligations. All of these factors could result in the Genesis discount loan program having a material adverse effect on our business, financial condition and results of operations.

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We rely on a single company to provide financial aid processing for our students. If that company fails or refuses to timely provide such service, or materially increases its fees, our business could be harmed.

We utilize a single company to provide the financial aid packaging and processing for our students financial aid. We have experienced periodic delays or backlogs of financial aid processing when this company s resources have become overburdened. If this company were to cease doing business with us, we could experience an interruption in financial aid processing for our students. Although we believe we could find alternative service providers or we could begin to process financial aid in-house, we may be unable to establish relationships with alternative service providers that will be as favorable as the one we have now. For example, new service providers may have higher prices, lower capacity, lower quality standards or longer delivery times. Additionally, we are beginning to bring in-house some of these financial aid functions that have historically been performed for us by third parties. That transition also involves risks. If we are unable to provide financial aid processing for our students in a timely and accurate manner, or if such services are delayed or becomes more expensive, this could have a material adverse effect on our business and results of operations.

If students fail to pay their outstanding balances, our business will be harmed.

We offer a variety of payment plans to help students pay that portion of their education expense not covered by financial aid programs. These balances are unsecured and not guaranteed. Losses related to unpaid student balances in excess of the amounts we have reserved could have a material adverse effect on our business.

Our marketing and advertising efforts may not be effective in attracting prospective students.

In order to maintain and increase our revenues and margins, we must continue to attract new students in an effective and efficient manner. If we are unable to successfully advertise and market our schools, our ability to attract and enroll new students could be adversely impacted and, consequently, our financial performance could suffer. We use marketing tools such as the Internet, radio, television and print media advertising to promote our schools and programs. Our representatives also make presentations at high schools. If we are unable to utilize these advertising methods in a cost-effective manner or if our other costs limit the amount of funds we can contribute to advertising, our revenue and margins may suffer. Additionally, we rely on the general reputation of our schools and referrals from current students, alumni and employers as a source of new students. Among the factors that could prevent us from successfully marketing and advertising our schools and programs are the failure of our marketing tools and strategy to appeal to prospective students or current student and/or employer dissatisfaction with our program offerings or results and diminished access to high school campuses.

If we cannot effectively identify, acquire and integrate additional schools, it could harm our business.

We expect to continue to rely on acquisitions as a component of our growth strategy. We often engage in evaluations of, and discussions with, possible acquisition candidates. We cannot make assurances that we will be able to identify suitable acquisition candidates or that we will be able to acquire any of the acquisition candidates on favorable terms. Furthermore, we cannot make assurances that any acquired schools can be successfully integrated into our operations or be operated profitably. Acquisitions involve a number of risks that include:

- diversion of management resources;
- integration of the acquired schools operations;
- adverse short-term effects on reported operating results; and
- possible loss of key employees.

Continued growth through acquisitions may also subject us to unanticipated business or regulatory uncertainties or liabilities. When we acquire an existing school, we typically allocate a significant portion of the purchase price to fixed assets, curriculum, goodwill and intangibles, such as covenants not-to-compete, trade names and accreditations. The Company does not amortize goodwill, accreditation, or trade names as these assets meet the indefinite life criteria outlined in the accounting guidance. Curricula are amortized over their useful lives ranging generally from three to fifteen years and Student Relationships is being amortized over their useful life of one year. Goodwill is tested annually or more

frequently for impairment. Indefinite-lived intangible assets are tested annually or more frequently if circumstances indicate potential impairment, by comparing their fair values to their carrying amounts. Separable intangible assets that are not deemed to have indefinite lives are amortized over their useful lives. In addition, our acquisition of a school is a change of ownership of that school, which may result in the temporary suspension of that school s participation in federal student financial aid programs until it obtains the ED s approval. If we fail to successfully manage our acquisitions, our business would likely suffer.

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Failure to effectively manage opening new schools and adding new services could harm our business.

Establishing new schools requires us to make investments in management, capital expenditures, marketing expenses and other resources. To open a new school, we are also required to obtain appropriate state and accrediting agency approvals. In addition, to be eligible for federal student financial aid programs, the new school is required to be certified as eligible to receive Title IV funds by the ED. We cannot assure you that we will be able to successfully open new schools in the future. Our failure to effectively manage the operations of newly established schools could have a material adverse effect on our business.

Our success depends upon our ability to recruit and retain key personnel.

We depend on key personnel, including Jack D. Massimino, Peter C. Waller, Matt A. Ouimet, Kenneth S. Ord, Beth A. Wilson, William B. Buchanan, Mark L. Pelesh, Stan A. Mortensen, Robert C. Owen and David A. Poldoian, to effectively operate our business. If any of these people left our Company and we failed to effectively manage a transition to new people, our business could suffer.

Our success also depends, in large part, upon our ability to attract and retain highly qualified faculty, school presidents and administrators and campus support center management. We may have difficulty locating and hiring qualified personnel, and retaining such personnel once hired. The loss of the services of any of our key personnel, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could cause our business to suffer.

Anti-takeover provisions in our charter documents and Delaware law could make an acquisition of our company difficult.

Our certificate of incorporation, our by-laws and Delaware law contain provisions that may delay, defer or inhibit a future acquisition of our Company not approved by our board of directors. These provisions are intended to encourage any person interested in acquiring us to negotiate with and obtain the approval of our Board of Directors. Our certificate of incorporation also permits our board of directors to issue shares of preferred stock with voting, conversion and other rights as it determines, without any further vote or action by our stockholders. By using preferred stock, we could:

- discourage a proxy contest;
- make the acquisition of a substantial block of our common stock more difficult; or
- limit the price investors may be willing to pay in the future for shares of our common stock.

We face litigation that could have a material adverse effect on our business, financial condition and results of operations.

We and our schools are subject to various lawsuits, investigations and claims, covering a wide range of matters, including, but not limited to, claims involving our current and former students, alleged violations of federal and state laws, false claims made to the federal government and routine employment matters. It is possible that we may be required to pay substantial damages or settlement costs in excess of our insurance coverage or current reserves, which could have a material adverse effect on our financial condition or results of operation. We could also incur substantial legal costs, and management s attention and resources could be diverted from our business. Please see Item 3, Legal Proceedings, for more detailed information on these litigation risks.

Failure to keep pace with changing market needs and technology could harm our business.

Prospective employers of our graduates increasingly demand that their entry-level employees possess appropriate technological skills. Educational programs at our schools, particularly programs in information technology, must keep pace with these evolving requirements. If we cannot respond to changes in industry requirements, it could have a material adverse effect on our business.

Competitors with greater resources could harm our business.

The post-secondary education market is highly competitive, and has become ever more so over the past several years. Our schools compete with traditional public and private two-year and four-year colleges and universities and other proprietary schools, including those that offer on-line learning programs. Some public and private colleges and universities, as well as other private career-oriented schools, may offer programs similar to those of our schools. Although tuition at many private non-profit institutions is higher than tuition at our schools, some public institutions are able to charge lower tuition than our schools, due in part to government subsidies, government and foundation grants, tax-deductible contributions and other financial sources not available to proprietary schools. Some of our competitors in both the public and private sectors have substantially greater financial and other resources than us.

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Failure to obtain additional capital in the future could reduce our ability to grow.

We believe that funds from operations, cash, investments and access to our credit facility that expires in July 2010 will be adequate to fund our currently identified plans. However, we may need additional debt or equity financing in order to carry out our growth strategies. The amount and timing of such additional financing will vary depending on the timing and size of acquisitions, our availability to access credit markets, and the sellers willingness to provide financing themselves. To the extent that we require additional financing in the future and are unable to obtain such additional financing, we may not be able to fully implement our growth strategy.

If natural disasters, terrorist attacks, public transit strikes or economic downturns occur in specific geographic areas where we have a high concentration of schools, our business could be harmed.

We have large numbers of schools concentrated in certain geographic areas. For instance, we have a high concentration of schools in California, Florida, Texas, Georgia, Michigan, the Province of Ontario and other states and cities. We expect to continue to have high concentrations of schools in large metropolitan areas as we create new branch campuses and acquire new schools. These geographic concentrations may change or intensify over time. If natural disasters, terrorist attacks, public transit strikes, economic developments or other adverse events occur or are more intensively felt in some of these concentrated geographic areas, our business and results of operations could be disproportionately affected compared to the rest of the United States and Canada.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our campus support center office is located in Santa Ana, California and our 118 campuses, as of June 30, 2010, are located in 25 states and in the province of Ontario, Canada. 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 2006 through fiscal 2010, approximately 14% of the campuses have been relocated and an additional approximately 64% 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 and has been updated to reflect solely continuing operations:

	2010	2009	2008	2007	2006
Opened					
Acquired	11	0	0	0	0
Branched	1	0	0	0	3
Closed, combined or sold	0	0	0	2	17
Campuses at year end	118	106	106	106	108
Relocated	1	5	2	2	6
Enlarged or remodeled	42	5	10	6	12

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

Square footage of our schools and colleges varies significantly based upon the type of programs offered and the market being served. Please see the section entitled Programs of Study in Item 1, Business , for square footage by location.

ITEM 3. LEGAL PROCEEDINGS

Legal Matters

In the ordinary conduct of its business, the Company and its subsidiaries are subject to lawsuits, demands in arbitration, investigations and other claims, including, but not limited to, lawsuits and claims involving current and former students, employment-related matters, business disputes and regulatory demands. In some of the lawsuits and arbitrations pending against the Company, including matters not presently deemed to be material and which are not disclosed below, the plaintiffs seek certification of the matter as a class action in order to represent other similarly-situated persons. Except as disclosed below, none of the matters currently pending against the Company in which plaintiffs seek class certification has yet been certified as a class action. When the Company is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the Company records a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved is material. There can be no assurance that the ultimate outcome of any of the matters threatened or pending against the Company, including those disclosed below, will not have a material adverse effect on the Company s financial condition or results of operations.

Between July 21, 2004 and July 23, 2004, two derivative actions captioned *Collet, Derivatively on behalf of Corinthian Colleges, Inc., v. David Moore, et al.,* and *Davila, Derivatively on behalf of Corinthian Colleges, Inc., v. David Moore, et al.*, were filed in the Orange County California Superior Court against David Moore, Dennis Beal, Dennis Devereux, Beth Wilson, Mary Barry, Stan Mortensen, Bruce Deyong, Loyal Wilson, Jack Massimino, Linda Skladany, Paul St. Pierre, Michael Berry, and Anthony Digiovanni, and against the Company as a nominal defendant. Each individual defendant is one of the Company s current or former officers and/or directors. The lawsuits allege breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, unjust enrichment, and violations of the California corporations code, essentially based on the same allegations of conduct complained of in the initial federal securities class action complaints filed at the same time. The *Collet* and *Davila* cases have now been consolidated into one action. A memorandum of understanding was executed by the parties resolving these cases, pending court approval, for an immaterial amount of attorneys fees to be paid by the Company s directors and officers insurance carrier to the plaintiffs lawyers, and with the Company agreeing to certain corporate governance matters. On October 29, 2009, the Court denied the parties motion for approval of the settlement, but the parties continue to explore avenues to resolve this matter.

On October 3, 2007, the Company was notified that a *qui tam* action had been filed in the U.S. District Court for the Central District of California by a former employee (the relator) on behalf of himself and the federal government. The case is captioned *United States of America, ex rel. Steven Fuhr v. Corinthian Colleges, Inc*. The Company subsequently learned of two other *qui tam* actions filed against the Company captioned *United States of America, ex rel. Nyoka Lee and Talala Mshuja v. Corinthian Colleges, Inc., et al*., and *United States of America, ex rel. Stephen Backhus v. Corinthian Colleges, Inc., et al*., filed in the United States District Courts for the Central District of California and the Middle District of Florida, respectively. These *qui tam* actions allege violations of the False Claims Act, 31 U.S.C. § 3729-33, by the Company for allegedly causing false claims to be paid, or allegedly using false statements to get claims paid or approved by the federal government, because of alleged Company violations of the Higher Education Act (the HEA) regarding the manner in which admissions personnel are compensated. The *Lee* complaint also alleges causes of action for common law fraud, unjust enrichment and payment under mistake of fact against the Company, Ernst & Young LLP (the Company s Independent Registered Public Accounting Firm), and David Moore, Jack Massimino, Paul St. Pierre, Alice Kane, Linda Skladany, Hank Adler and Terry Hartshorn (all of whom are current or former directors of the Company). On March 4, 2009, the Company received written notices that the U.S. Department of Justice had declined to intervene in, or take over, these *qui tam* actions, and the United States District Courts in which the cases were filed unsealed the complaints. Although the government declined to intervene in these actions, the relators may continue to pursue the litigation on behalf of the federal government and, if successful, receive a portion of the federal government s recovery. Additionally, upon a showing of good cause, the government has the right to intervene in the actions at a later time. The *Backhus* complaint has since been voluntarily dismissed and, on August 3, 2009, the U.S. District Court issued an order dismissing the *Fuhr* complaint with prejudice. That dismissal was appealed, but has since been voluntarily abandoned and dismissed by the relator in that case. The *Lee* complaint was dismissed with prejudice by the U.S. District Court on December 4, 2009. The *Lee* dismissal was also appealed. The Company believes these complaints are without merit and intends to defend itself and its current and former directors vigorously in these matters.

On May 28, 2008, a putative class action demand in arbitration captioned *Rivera v. Sequoia Education, Inc. and Corinthian Colleges, Inc*. was filed with the American Arbitration Association. The plaintiffs are nine current or former HVAC students from the Company s WyoTech Fremont campus. The arbitration demand alleges violations of California s Business and Professions Code Sections 17200 and 17500, fraud and intentional deceit, negligent misrepresentation, breach

of contract and unjust enrichment/restitution, all related to alleged deficiencies and misrepresentations regarding the HVAC program at these campuses. The plaintiffs seek to certify a class composed of all HVAC students in the Company s WyoTech Fremont and WyoTech Oakland campuses over the prior four years, and seek recovery of compensatory and punitive damages, interest, restitution and attorneys fees and costs. The Company never operated any HVAC programs at the Company s WyoTech Oakland campus during its ownership of that campus. The Company believes the complaint is without merit and intends to vigorously defend itself against these allegations.

On September 4, 2009, the Company was served with a petition filed in Dallas County District Court entitled *Miesha Daniels, et al. v. Rhodes Colleges, Inc., Rhodes Business Group, Inc., and Corinthian Colleges, Inc.* The petition names thirteen former students of three Dallas-area Everest campuses as plaintiffs and does not seek certification as a class action. The plaintiffs allege violations of Texas Deceptive Trade Practices and Consumer Protection Act, breach of contract and fraud related to alleged pre-enrollment representations regarding credit transfer, quality of education and outcomes. The plaintiffs seek recovery of compensatory and exemplary damages and attorneys fees. The action has been ordered to arbitration where individual arbitration demands have been filed. The plaintiffs attorneys have also informed us of nearly one hundred additional current or former students they claim to represent, and upon whose behalf they may file arbitration or litigation claims. The Company believes the allegations are without merit and intends to vigorously defend itself.

On November 17, 2008, an action captioned *Mary Credille and Roger Madden, on behalf of all similarly situated current and former employees, v. Corinthian Colleges et al.*, was filed in the U.S. District Court for the Northern District of Illinois. The two named plaintiffs are former employees of the Company s Chicago campus, and allege failure to receive proper compensation for all overtime hours allegedly worked in violation of the Fair Labor Standards Act. Plaintiff Credille has voluntarily dismissed her claims against the Company. On December 8, 2009, the Court granted Plaintiff Madden s motion to conditionally certify a collective action to include those current and former admissions representatives at the Company s Chicago campus who also satisfy additional requirements. It is unknown whether any, or how many, of the prospective participants, estimated to be around 50 current and former employees, will choose to opt in to participate in the lawsuit. To date, we are aware of only one additional former employee who has elected to opt in to the lawsuit. The Company intends to challenge the conditional certification at the second stage of the certification process. The Company believes the allegations are without merit and intends to vigorously defend itself.

On April 20, 2010, a putative class action complaint captioned *Reed, an individual, on behalf of himself and all others similarly situated v. Florida Metropolitan University, Inc. and Corinthian Colleges, Inc.* was filed in the District Court of Travis County, Texas. Florida Metropolitan University, Inc. is a wholly-owned subsidiary of the Company. Plaintiff purports to be a former student in the Company s Everest University Online operations. The complaint claims violations of Texas Education Code Sections 132.051(a) and 132.059(a) for alleged failure of Everest University Online to receive a Certificate of Approval or an exemption from the appropriate Texas state licensing bodies to offer online courses in the State of Texas and to register its admissions representatives with the State of Texas. The plaintiff seeks to certify a class composed of all persons who contracted to receive distance education from Everest University Online while residing in Texas, and seeks damages on behalf of such persons, pre- and post-judgment interest, declaratory and injunctive relief, cost of suit, and such other relief as the court deems proper. On July 26, 2010, the Court ordered the matter to binding arbitration. The Company believes the complaint is without merit and intends to defend itself and its subsidiary vigorously.

On December 17, 2009, an action captioned *Mancuso, on behalf of himself and all others similarly situated v. Florida Metropolitan University, Inc and Corinthian Colleges, Inc*, was filed in the U.S. District Court for the Southern District of Florida. The named plaintiff is an admissions representative of the Company s Pompano Beach campus, and alleges failure to receive proper compensation for all overtime hours allegedly worked in violation of the Fair Labor Standards Act. On June 24, 2010, the Court granted Plaintiff s motion to conditionally certify a collective action to include those current and former admissions representatives at the Company s Pompano Beach campus who also satisfy additional requirements. The plaintiff has also filed a motion requesting the Court to broaden the collective action from the Pompano campus to all admissions representatives at every campus nationwide. The Company is opposing this motion. It is unknown whether any, or how many, of the prospective participants will choose to opt in to participate in the lawsuit. The Company intends to challenge the conditional certification of the Pompano Beach campus at the second stage of the certification process. The Company believes the allegations are without merit and intends to defend itself vigorously.

In addition to the legal proceedings and other matters described above, the Company is or may become a party to pending or threatened lawsuits related primarily to services currently or formerly performed by the Company. Such cases and claims raise difficult and complex factual and legal issues and are subject to many uncertainties and complexities, including, but not limited to, class action certification, governmental intervention, regulatory or administrative agency involvement, the facts and circumstances of each particular case or claim, the jurisdiction in which each suit is brought, and differences in applicable statutory and common law.

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As of June 30, 2010, the Company had established aggregate reserves for all of the matters disclosed above, as well as for those additional matters where the liabilities are probable and losses estimable but for which the Company does not believe the matters are reasonably likely to have a material impact on the results of operations or financial condition of the Company, which are immaterial to the Company s financial position. The Company regularly evaluates the reasonableness of its accruals and makes any adjustments considered necessary. Due to the uncertainty of the outcome of litigation and claims, the Company is unable to make a reasonable estimate of the upper end of the range of potential liability for these matters. Upon resolution of any pending legal matters, the Company may incur charges in excess of presently established reserves. While any such charge could have a material adverse impact on the Company s results of operations in the period in which it is recorded or paid, management does not believe that any such charge would have a material adverse effect on the Company s financial position or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended June 30, 2010.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Dividend Policy

We have never paid cash dividends on our common stock. Payment of dividends in the future, if at all, will depend upon our earnings and financial condition and various other factors our Board of Directors may deem appropriate at the time. Our amended credit agreement limits the payment of cash dividends.

Issuer Purchases of Equity Securities

On October 31, 2006, the Company s Board of Directors approved a share repurchase of up to $50 million of the Company s common stock. From November 2006 through May 2007, the Company purchased 2,256,638 shares at a total cost of $31.4 million (an average share price of $13.90 per share).

During July 2010, the Company s Board of Directors approved a stock repurchase program under which the Company may purchase up to $200 million of its common stock.

Price Range of Common Stock

Our common stock is listed on the Nasdaq National Market System under the symbol COCO. The approximate number of holders of record of our common stock as of August 18, 2010 was 30. Our common stock was first listed on Nasdaq upon completion of our initial public offering in February 1999.

On August 18, 2010 the closing price per share of common stock was $5.32 and the range of high and low closing sales prices of our common stock, as reported by the Nasdaq National Market System, for each applicable quarter in fiscal 2009 and 2010, and the first quarter to date of fiscal 2011, is as follows:

	Price Range of Common Stock	
	High	**Low**
Fiscal Years Ended June 30:		
2009:		
First Quarter	$ 17.09	$ 11.69
Second Quarter	16.37	11.73
Third Quarter	21.47	14.56
Fourth Quarter	19.49	14.99

2010:		
First Quarter	$ 20.10	$ 14.63
Second Quarter	18.39	13.13
Third Quarter	19.10	13.06
Fourth Quarter	19.22	9.85
2011:		
First Quarter through August 18, 2010	$ 10.48	$ 5.00

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Securities Authorized for Issuance Under Equity Compensation Plans as of June 30, 2010

As of June 30, 2010, our equity compensation plans consisted of the 1998 Performance Award Plan (the 1998 Plan), the 2003 Performance Award Plan as amended (the 2003 Plan), the 2004 New Hire Plan (the New Hire Plan) and the Employee Stock Purchase Plan (the ESPP). The 1998 Plan, the 2003 Plan and the ESPP have all been approved by our shareholders.

The New Hire Plan has not been approved by our shareholders. The Company s ability to issue new stock-based awards under the New Hire Plan was terminated as of November 17, 2005.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	10,693,259(1)	$ 15.03(3)	3,000,554
Equity compensation plans not approved by security holders	100,900(2)	$ 16.14(3)	
Total	10,794,159	$ 15.04(3)	3,000,554

(1) Includes 467,020 shares to be issued upon the vesting of Restricted Stock Units (RSUs), for which no exercise price will be paid.
(2) Includes 10,000 shares to be issued upon the vesting of RSUs, for which no exercise price will be paid.
(3) For purposes of calculating weighted average exercise price, RSUs are assumed to have an exercise price of $0.

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Performance Graph

The following graph shows a comparison of cumulative total returns for Corinthian, the Russell 2000 Index and an index of peer companies selected by Corinthian during the period commencing on June 30, 2005 and ending on June 30, 2010. The comparison assumes $100 was invested on June 30, 2005 in the Common Stock, the Russell 2000 Index and the peer companies selected by Corinthian and assumes the reinvestment of all dividends, if any. The companies in the peer group, all of which are education companies, are weighted according to their market capitalization. Included in the peer group are: Apollo Group Inc., Career Education Corporation, DeVry, Inc., ITT Educational Services, Inc., Lincoln Educational Services Corporation, Universal Technical Institute, Inc. and Strayer Education, Inc.

* $100 invested on 6/30/05 in stock or index, including reinvestment of dividends. Fiscal year ending June 30.

Date	Corinthian Colleges, Inc.	Russell 2000	Peer Group	Date	Corinthian Colleges, Inc.	Russell 2000	Peer Group	Date	Corinthian Colleges, Inc.	Russell 2000	Peer Group
6/05	100.00	100.00	100.00	2/07	109.24	126.41	81.84	10/08	111.82	87.56	109.86
7/05	107.52	106.34	98.83	3/07	107.67	127.77	81.10	11/08	125.92	77.20	118.14
8/05	99.30	104.36	100.68	4/07	108.30	130.06	87.34	12/08	128.19	81.68	116.69
9/05	103.92	104.69	89.72	5/07	114.41	135.39	93.01	1/09	146.28	72.60	125.78
10/05	97.42	101.44	88.75	6/07	127.56	133.41	101.94	2/09	154.27	63.78	114.48
11/05	94.83	106.37	97.49	7/07	105.48	124.28	98.79	3/09	152.31	69.47	119.86
12/05	92.17	105.88	86.44	8/07	110.10	127.10	100.04	4/09	120.60	80.21	102.96
1/06	99.30	115.37	83.62	9/07	124.59	129.28	103.80	5/09	120.44	82.62	97.96
2/06	101.49	115.06	79.94	10/07	128.35	132.99	129.17	6/09	132.58	83.84	115.11
3/06	112.76	120.64	84.75	11/07	136.73	123.44	121.33	7/09	120.91	91.91	111.75
4/06	116.60	120.62	86.26	12/07	120.60	123.36	108.76	8/09	150.12	94.55	111.52
5/06	108.14	113.84	82.37	1/08	66.17	114.95	116.32	9/09	145.34	100.00	121.05
6/06	112.45	114.58	79.70	2/08	62.26	110.69	88.39	10/09	124.20	93.21	102.47
7/06	105.09	110.85	76.49	3/08	56.62	111.15	71.36	11/09	116.05	96.14	104.41
8/06	94.91	114.13	74.49	4/08	88.88	115.81	92.42	12/09	107.83	103.88	108.65
9/06	84.65	115.08	74.89	5/08	100.23	121.13	89.83	1/10	109.63	100.05	108.99
10/06	95.93	121.71	67.79	6/08	90.92	111.80	86.84	2/10	127.02	104.56	116.10
11/06	101.02	124.91	70.38	7/08	123.34	115.94	105.30	3/10	137.74	113.07	121.17
12/06	106.73	125.33	70.57	8/08	103.92	120.13	104.44	4/10	122.32	119.47	114.57
1/07	102.27	127.42	78.04	9/08	117.46	110.56	97.31	5/10	104.86	110.41	108.99
								6/10	77.13	101.85	91.79

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data are qualified by reference to, and should be read in conjunction with, our consolidated financial statements and the related notes thereto appearing elsewhere in this Report on Form 10-K and Management s Discussion and Analysis of Financial Condition and Results of Operations. The selected statement of operations data and the balance sheet data set forth below as of and for each of the 5 years ended June 30, 2010, 2009, 2008, 2007 and 2006 are derived from our audited consolidated financial statements. These historical results are not necessarily indicative of the results that may be expected in the future. The information contained throughout this document is presented on a continuing operations basis, unless otherwise stated.

	Years Ended June 30,				
	2010(3)	**2009**	**2008**	**2007**	**2006**
	(In thousands, except per share data)				
Statement of Operations Data:					
Net revenues (1)	$ 1,763,797	$ 1,307,825	$ 1,068,671	$ 919,224	$ 907,815
Operating expenses:					
Educational services	972,910	753,707	625,481	528,125	507,832
General and administrative	192,579	135,747	114,938	110,654	92,677
Marketing and admissions	357,563	294,728	276,875	248,447	240,373
Impairment, facility closing, and severance charges		4,378	6,603	9,693	4,170
Total operating expenses	1,532,052	1,188,560	1,023,897	896,919	845,052
Income from operations	240,745	119,265	44,774	22,305	62,763
Interest income	(1,190)	(1,763)	(3,376)	(6,244)	(5,772)
Interest expense, net	5,009	2,715	1,793	2,811	3,162
Other (income) expense, net	(4,378)	1,170	(1,387)	(1,039)	(1,137)
Income before provision for income taxes	241,304	117,143	47,744	26,777	66,510
Provision for income taxes	95,333	46,015	14,879	9,950	24,025
Income from continuing operations	145,971	71,128	32,865	16,827	42,485
(Loss) income from discontinued operations, net of tax		(2,368)	(11,598)	(9,595)	(1,003)
Net income	$ 145,971	$ 68,760	$ 21,267	$ 7,232	$ 41,482
Income per common share basic:					
Income from continuing operations	$ 1.66	$ 0.82	$ 0.39	$ 0.19	$ 0.48
(Loss) income from discontinued operations	$	$ (0.02)	$ (0.14)	$ (0.11)	$ (0.01)
Income per common share diluted:					
Income from continuing operations	$ 1.65	$ 0.81	$ 0.39	$ 0.19	$ 0.47
(Loss) income from discontinued operations	$	$ (0.02)	$ (0.14)	$ (0.11)	$ (0.01)
Weighted average number of common shares outstanding:					
Basic	87,696	86,121	84,954	85,887	88,627
Diluted	88,707	87,517	86,013	87,097	89,973

	Years Ended June 30,				
	2010	2009	2008	2007	2006
	(Dollars in thousands)				
Other Data:					
Cash flow provided by (used in):					
Operating activities	$ 204,036	$ 198,677	$ 13,613	$ 38,804	$ 118,714
Investing activities	(430,787)	(48,794)	(36,568)	(27,095)	(51,588)
Financing activities	275,244	(21,420)	(44,914)	51,122	(89,829)
Capital expenditures	(83,488)	(49,525)	(54,880)	(70,977)	(56,054)
Number of colleges/training centers at end of period	118	106	106	106	108
Student population at end of period	110,580	86,088	69,211	61,332	59,924
Starts during the period (2)	137,831	117,352	100,210	88,699	86,521
Balance Sheet Data:					
Cash and cash equivalents	$ 209,165	$ 160,276	$ 32,004	$ 99,789	$ 36,805
Marketable securities				15,000	55,900
Working capital	140,411	107,948	83,314	124,563	74,342
Total assets	1,389,420	798,871	695,966	737,976	670,006
Long-term debt, net of current portion	299,368	13,895	62,491	112,913	31,402
Long-term capital lease obligations, net of current portion	13,636	14,189	14,689	15,141	14,151
Total stockholders equity	$ 691,034	$ 517,668	$ 422,022	$ 385,422	$ 399,528

(1) Represents student tuition and fees and bookstore sales, net of refunds.
(2) Represents the new students starting school during the periods presented.
(3) Included in the fiscal 2010 amounts are the Heald results for the six months ending June 30, 2010.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Selected Financial Data and the Company s Consolidated Financial Statements and Notes thereto appearing elsewhere in this Report on Form 10-K.

Background and Overview

As of June 30, 2010, we operated 118 colleges with 110,580 students in 25 states and the province of Ontario, Canada. During the fiscal year ended June 30, 2010, the Company had net revenues of $1,763.8 million. Our revenues consist principally of student tuition and fees and are presented as net revenues after adjustments for refunds related to students who do not complete their courses. We recognize revenues pro-rata (on a straight-line basis) over the relevant period attended by the student of the applicable course or program.

Net revenues from continuing operations increased 34.9% to $1,763.8 million in 2010 from $1,307.8 million in 2009. The increase is primarily due to a 29.0% increase in the average student population and a 4.5% increase in the average revenue rate per student during the period. The revenue related to Heald for the six months ending June 30, 2010 was $121.0 million and the student population of Heald was 15,447 as of June 30, 2010. The student population varies depending on, among other factors, the number of (i) continuing students at the beginning of a fiscal period, (ii) new student enrollments during the fiscal period, (iii) students who have previously withdrawn but who reenter during the fiscal period, and (iv) graduations and withdrawals during the fiscal period. New student starts typically occur several times per month in the diploma-granting colleges. In the degree-granting colleges, the majority of new student starts occur in the first month of each calendar quarter with an additional mini-start in the second month of each quarter in most colleges. The tuition charges vary by college depending on the local market, the program level (diploma, associate s, bachelor s or master s degree) and the specific curriculum. The majority of students at our colleges rely on funds received under various government-sponsored student financial aid programs to pay a substantial portion of their tuition and other education-related expenses.

Serving ATB students has historically been part of the Company s mission. However, ATB students are a higher risk population who complete their programs at a lower rate and default on their student loans at a higher rate than high school graduates. Accordingly, given the shift to a 3-year default measurement period and the structural changes in student lending over the past two years, we intend to stop enrolling ATB students into our U.S. Everest and WyoTech institutions starting on September 1, 2010. At June 30, 2010, ATB students accounted for approximately 15.1% of our enrollments. The elimination of this population of potential students will negatively impact our expected new student enrollments, which, in turn, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts on those financial statements. Note 1 to the consolidated financial statements in the Annual Report on Form 10-K for the fiscal year ended June 30, 2010 describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. On an on-going basis, we evaluate our estimates, including, but not limited to, those related to our allowance for doubtful accounts, insurance/self-insurance, goodwill and intangible assets, deferred taxes, discontinued operations, contingencies and stock-based compensation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different conditions or if our assumptions change.

Our critical accounting estimates are those which we believe require our most significant judgments about the effect of matters that are inherently uncertain. A discussion of our critical accounting estimates is as follows:

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of our students to make required payments. We determine the adequacy of this allowance by regularly reviewing the accounts receivable aging and applying various expected loss percentages to certain student accounts receivable categories based upon historical bad debt experience and consideration of the current economic environment. We generally write off accounts receivable balances deemed uncollectible as they are sent to collection agencies. We offer a variety of payment plans to help students pay that portion of their education expense not covered by financial aid programs. These balances are unsecured and not guaranteed. We believe our reserves are adequate; however, losses related to unpaid student balances could exceed the amounts we have reserved for bad debts. The effect of an increase in our accounts receivable allowance of 3% of our outstanding receivables from 22.4% to 25.4% or $27.5 million to $31.2 million would result in a decrease in pre-tax income of $3.7 million for the year ended June 30, 2010. The effect of an increase in our student notes receivable allowance of 3% of our outstanding earned notes receivable from 47.1% to 50.1% or $60.8 million to $64.7 million would result in a decrease in pre-tax income of $3.9 million for the year ended June 30, 2010.

Many of our students in the U.S. participate in federally guaranteed student loan programs. The federally guaranteed student loans are authorized by the Higher Education Act (HEA) of 1965 and are guaranteed by an agency of the federal government. The guaranteed loans are not guaranteed by us, and the guaranteed student loans cannot become an obligation of ours. 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 student loans.

However, if an institution s former students default rate on guaranteed loans (Cohort Default Rate) equals or exceeds 25% for three consecutive years, the institution may lose participation eligibility in the guaranteed loan program and its students would be denied access to the guaranteed loan program. Our institutions Cohort Default Rates act as a gatekeeper to their eligibility to participate in the federal student financial aid programs. We have no obligation to repay any of the federally guaranteed loans that our former students default upon, even if the Cohort Default Rates of our students exceed permitted levels. Rather, if the Cohort Default Rates at a particular institution exceed 25% for three consecutive years under current calculations, the institution s students may lose eligibility to receive federal student financial aid. Under the HEOA, a separate calculation will be performed that will add an additional federal fiscal year of borrowers repayment performance. This percentage will increase to 30% after three years of Cohort Default Rates calculated with the additional federal fiscal year are available, and then become applicable to the imposition of sanctions.

Insurance/Self-Insurance. We use a combination of insurance and self-insurance for a number of risks including claims related to employee heath care, workers compensation, general liability, and business interruption. Liabilities associated with these risks are estimated based on, among other things, historical claims experience, severity factors and other actuarial assumptions. The Company s loss exposure related to self-insurance is limited by stop loss coverage. Our expected loss accruals are based on estimates, and while we believe the amounts accrued are adequate, the ultimate loss may differ from the amounts provided.

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Goodwill and Intangible Assets. We have significant goodwill and other intangible assets. Goodwill represents the excess of the cost over the fair market value of net assets acquired, including identified intangible assets. We consider a number of factors, including valuations and appraisals from independent valuation firms, in determining the amounts that are assignable to other intangible assets, such as curriculum, accreditation, and trade names. We, however, are ultimately responsible for the valuations. The fair value of identified intangible assets is derived using accepted valuation methodologies, including cost, market, and income approaches, as appropriate, following consultations with valuation firms and in accordance with the accounting guidance on Business Combinations and requirements set forth by the Uniform Standards of Professional Appraisal Practice.

The Company does not amortize goodwill, accreditation, or trade names as these assets meet the indefinite life criteria outlined in the accounting guidance on Accounting for Business Combinations. Curricula continue to be amortized over their useful lives ranging generally from three to fifteen years and Student Relationships is being amortized over their useful life of one year with all amortization expense included in general and administrative expenses in the accompanying Consolidated Statements of Operations.

Goodwill is tested annually or more frequently if circumstances indicate potential impairment, by comparing its fair value to its carrying amount at the reporting unit level as defined by the accounting guidance. We determined the fair value of our reporting units using the income approach that includes discounted cash flow as well as other generally accepted valuation methodologies. To the extent the fair value of a reporting unit is less that the carrying amount of its assets, we record an impairment charge in the consolidated statements of operations.

In connection with receipt of federal financial aid by the Company s students, the Company is subject to extensive regulation by governmental agencies and licensing and accrediting agencies. Compliance with the regulations promulgated by these various bodies could have a material impact on the manner in which the Company conducts its business, including the significant additional measures the Company has been implementing to address the Cohort Default Rates of its institutions and including the Company s expectation that beginning on September 1, 2010, the Company will stop enrolling ATB students into its U.S. Everest and WyoTech institutions.

In addition, the Company s business could also be negatively impacted by proposed and future regulations. As an example, on June 18, 2010, ED issued a Notice of Proposed Rulemaking (the June NPRM) following a year-long negotiated rulemaking process between ED and the higher education community on 14 Title IV Program integrity issues, which include lender and general student loan issues, accreditation, discretionary grants, general and non-loan programmatic issues, safe harbors under incentive compensation rules for admissions recruiters, and standards regarding state authorization for purposes of Title IV Program eligibility. The June NPRM addressed 13 of 14 program integrity issues in their entirety and partially addressed the 14th issue, which involves the definition of gainful employment; the ED issued a separate NPRM on gainful employment metrics on July 26, 2010 (the July NPRM). Public comment was due on the June NPRM no later than August 2, 2010 and for the July NPRM is due no later than September 9, 2010. ED has stated that it intends to review all comments it receives with the goal of publishing a final rule by November 1, 2010, which would take effect beginning July 1, 2011. The Company cannot predict the form of any final rules that may be adopted by ED. As presented by ED in the NPRMs, the rules regarding incentive compensation and gainful employment could have a material impact on the manner in which the Company conducts its business. Compliance with these rules, which, if adopted could be effective as early as July 1, 2011, may cause the Company to take actions beyond those the Company is already taking in connection with its compliance with existing regulations, and could reduce enrollment, increase the cost of doing business, and have a material adverse effect on the Company s business, financial condition, results of operations and cash flows. To the extent known, the Company has incorporated the risks discussed above into the cash flow forecasts and discount rates used to estimate the fair value of each of its reporting units at June 30, 2010. However, should the Company need to take additional actions not currently foreseen to comply with current and future regulations, the assumptions used to calculate the fair value of our reporting units, including estimation of future cash flows, revenue growth, and discount rates, could be negatively impacted and could result in an impairment of goodwill.

At June 30, 2010, the fair value of one of our reporting units with approximately $198.5 million of goodwill exceeded its carrying amount by less than 10%. As a result, a relatively minor negative revision to the estimated future revenue growth or discount rate could result in an impairment to the carrying value of the related goodwill.

Indefinite-lived intangible assets are tested annually or more frequently if circumstances indicate potential impairment, by comparing their fair values to their carrying amounts. To the extent the fair value of an intangible asset is less than its carrying amount, we record an impairment charge in the consolidated statements of operations. For instance, if we were to discontinue the use of a trade name or lose accreditation at one or more of our acquired schools to which we have ascribed value for trade names and accreditation, we would test the amounts we have allocated to such assets for impairment. Such testing would include estimating the future cash flows expected to be received from the trade names and accreditation and comparing them to their carrying values. If our estimate of the present value of these future cash flows were below the carrying values of the related assets, we would consider the assets to be impaired and take a charge against the amounts we had allocated to trade names and accreditation.

The determination of related estimated useful lives of intangible assets and whether or not these intangible assets are impaired involves significant judgment. Although we believe our goodwill and intangible assets are fairly stated, changes in strategy or market conditions could significantly impact these judgments and require adjustments to asset balances.

Deferred Taxes. We currently have deferred income tax assets which are subject to periodic recoverability assessments. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. Realization of our deferred income tax assets is principally dependent upon achievement of projected future taxable income offset by deferred income tax liabilities. We evaluate the realizability of our deferred income tax assets annually. In addition, we review our income tax filing positions quarterly and update our tax contingency reserves as necessary. See Note 9 Income Taxes.

Contingencies. In the ordinary conduct of the business, we are subject to occasional lawsuits, investigations and claims, including, but not limited to, claims involving students and graduates and routine employment matters. When we are aware of a claim or potential claim, we assess the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can reasonably estimated, we record a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, we disclose the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved is material. There can be no assurance that the ultimate outcome of any of the lawsuits, investigations or claims pending against us will not have a material adverse effect on our financial condition or results of operations.

Acquisitions/Dispositions

Since our inception, we have completed the following acquisitions and disposals. Each acquisition has been accounted for using the purchase method of accounting. The results of operations related to the transactions are included in our consolidated results of operations since their respective dates:

On June 30, 1995, we acquired five colleges from National Education Corporation. As part of the same transaction, we subsequently acquired from National Education Corporation a second group of five colleges on September 30, 1995 and an additional six colleges on December 31, 1995. The adjusted purchase price for all 16 colleges was approximately $4.7 million in cash.

From July 1, 1996 through October 17, 1996, we acquired a total of 20 colleges in 3 separate transactions for a purchase price of $24.2 million in cash.

On January 18, 2000, we acquired substantially all of the assets of Harbor Medical College, which operated one college in Torrance, California, for approximately $300,000 in cash.

On April 1, 2000, we acquired substantially all of the assets of the Georgia Medical Institute, which operated three colleges in the greater Atlanta, Georgia metropolitan area, for approximately $7.0 million in cash.

On June 1, 2000, we acquired substantially all of the assets of Academy of Business College, Inc. which operated one college in Phoenix, Arizona, for approximately $1.0 million in cash.

On October 23, 2000, we acquired substantially all of the assets of Educorp, Inc. which operated four colleges in California, for approximately $12.6 million in cash.

On November 1, 2000, we acquired substantially all of the assets of Computer Training Academy, Inc. which operated two colleges in Northern California, for approximately $6.1 million in cash. We closed one campus in April 2002 and combined the second campus with another campus in close proximity in June 2004.

On February 1, 2001, we acquired all of the outstanding stock of Grand Rapids Educational Center, Inc., which operated three campuses in Michigan and Illinois, for approximately $2.8 million in cash.

On April 1, 2002, we acquired all of the outstanding stock of National School of Technology, Inc., which operated three campuses in the greater Miami, Florida area, for approximately $14.4 million in cash.

On July 1, 2002, we acquired all of the outstanding stock of WyoTech Acquisition Corporation, which operated two colleges in Laramie, Wyoming and Blairsville, Pennsylvania. The cash purchase price was $84.4 million and was funded through cash on hand and approximately $43 million provided from our credit facility.

On January 2, 2003, we acquired substantially all of the assets of Learning Tree University, Inc. and LTU Extension, Inc., which operated two training centers in Southern California, for approximately $3.3 million in cash, plus the possibility of an additional $2.0 million if the acquired operations achieved certain operating performance targets. We closed the two LTU training centers in May 2004.

On August 1, 2003, we acquired all of the outstanding stock of Career Choices, Inc., which operated 10 campuses in California, Washington and Oregon, for approximately $56.3 million, financed through a combination of available cash and borrowings from our credit facility. We combined one of the campuses in Washington with other campuses in close proximity in June 2004. Additionally, in the fourth quarter of fiscal 2008 the Company completed the teach-out of its Everett, WA campus.

On August 6, 2003, we acquired substantially all of the assets of East Coast Aero Tech, LLC, which operated one campus in Massachusetts, for approximately $3.2 million plus or minus certain balance sheet adjustments, financed through a combination of available cash and borrowings from our credit facility.

On August 19, 2003, we acquired approximately 89% of the outstanding shares of common stock of CDI Education Corporation (CDI) through a tender offer to acquire all of the outstanding shares of common stock. As of October 7, 2003, we had acquired all shares of CDI for approximately $42.1 million and the assumption of approximately $10 million of debt and other liabilities. We funded the acquisition with available cash and borrowings from our credit facility. CDI operated 45 post-secondary colleges and 15 corporate training centers throughout Canada. In October 2003, we completed the acquisition of CMA Careers, Inc. located in Kitchener, Ontario, Canada. The intent to acquire this campus by CDI had been agreed to prior to our acquisition of CDI. We combined one of the CDI campuses with another campus in close proximity in April 2004 and closed 11 campuses and one training center in fiscal 2005. During fiscal 2006 we completed the sale of substantially all the assets of CDI s corporate training division, CDI Education, whereby we sold the remaining training centers. The Company recognized a gain of approximately $1.4 million (pre-tax) which is included within other (income) expense on the Consolidated Statement of Operations.

On August 4, 2004, we acquired substantially all of the assets of A.M.I., Inc. (AMI) for approximately $11 million, plus the assumption of certain liabilities of approximately $0.5 million. We funded the acquisition with available cash. AMI operates one campus in Daytona Beach, Florida that offers accredited diploma programs to prepare students for jobs as motorcycle, marine, and personal watercraft technicians.

Effective February 29, 2008 we completed the sale of the 12 Canadian schools located outside the province of Ontario to a wholly-owned subsidiary of the Eminata Group, for a cash payment of CAD $3.0 million. This payment consists of the purchase price of CAD $7.4 million less preliminary negative working capital and other adjustments equal to CAD $4.4 million. This cash payment was subject to a final working capital adjustment that was finalized during the third quarter of fiscal 2009. The final working capital adjustment resulted in a payment to the buyer of $0.1 million.

Effective May 1, 2008, we completed the sale of the WyoTech Boston campus. The transaction was subject to a final working capital adjustment that was finalized during the third quarter of fiscal 2009. The final working capital adjustment resulted in a payment to the buyer of $0.1 million.

On January 4, 2010 we completed the acquisition of Heald Capital, LLC, a Delaware limited liability company (Heald) for consideration of $395 million and a preliminary working capital adjustment of $22.2 million. Heald, through its subsidiaries, operates Heald College, a regionally accredited institution that prepares students for careers in healthcare, business, legal, information technology and other growing fields, primarily through associate degree programs. Heald College operates 11 campuses and its results are included in the Condensed Consolidated Financial Statements from the date of acquisition.

Results of Operations

During the fourth quarter of 2008, we decided to divest the WyoTech Oakland campus. During the fourth quarter of fiscal 2009, we sold the capital assets of WyoTech Oakland for $0.2 million. Additionally, during the fourth quarter of 2008, we completed the teach-out of our Lynnwood WA, Everett WA, and Atlanta GA campuses.

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Accordingly, the results of operations of these campuses are reflected as discontinued operations in the Company s consolidated statements of income for all prior periods presented. The net assets held for sale are required to be recorded on the balance sheet at estimated fair value, less costs to sell. Accordingly, during the fourth quarter of 2008, the Company recorded a charge of approximately $2.6 million, net of income tax benefit of $1.2 million, to accrue future rental payments related to the closed campuses and to reduce the carrying value of the net assets of the Company s campuses held for sale and closed to estimated fair value, less costs to sell, as of June 30, 2008 (primarily related to the accrued rent of $2.8 million and the impairment of fixed assets in the amount of $1.0 million). Additionally, during the fourth quarter of fiscal 2009 and 2008, the Company recorded an additional reserve of approximately $0.9 million and $2.2 million (net of tax), respectively, taken against receivables related to the Atlanta campus. These charges are reflected as a component of loss from discontinued operations on the Company s Consolidated Statements of Operations for the year ended June 30, 2008. The Company expects to have no significant continuing involvement with these entities.

During the fourth quarter of 2007, the Company decided to divest all of its CDI campuses outside of the province of Ontario, Canada, as well as the WyoTech Boston campus (the Sale Group). The schools were sold in fiscal year 2008. Accordingly, the results of operations of the campuses within the Sale Group are reflected as discontinued operations in our consolidated statements of income for all periods presented. Effective February 29, 2008 the Company completed the sale of its 12 Canadian schools located outside the province of Ontario to a wholly-owned subsidiary of the Eminata Group, for a cash payment of CAD $3.0 million. This payment consists of the purchase price of CAD $7.4 million less preliminary negative working capital and other adjustments equal to CAD $4.4 million. This cash payment was subject to a final working capital adjustment that was finalized during the third quarter of fiscal 2009. The final working capital adjustment resulted in a payment to the buyer of $0.1 million.

On January 4, 2010 the Company completed its acquisition of Heald Capital, LLC, a Delaware limited liability company (Heald) for consideration of $395 million and a preliminary working capital adjustment of $22.2 million. Heald, through its subsidiaries, operates Heald College, a regionally accredited institution that prepares students for careers in healthcare, business, legal, information technology and other growing fields, primarily through associate degree programs. Heald College operates 11 campuses and its results are included in the Condensed Consolidated Financial Statements from the date of acquisition.

We categorize our expenses as educational services, general and administrative, and marketing and admissions. Educational services expenses primarily consist of those costs incurred to deliver and administer the education programs at the colleges, including faculty and college administration compensation; college facility rent and other occupancy costs; bad debt expense; education materials and supplies; bookstore and classroom expenses; depreciation and amortization of college property and equipment; default management expenses and financial aid processing costs.

General and administrative expenses consist principally of those costs incurred at the campus support center and regional level in support of college operations, except for marketing and admissions related costs. Included in general and administrative expenses are costs relating to executive management, campus support center staff and regional operations management compensation; depreciation and amortization of corporate property and equipment and certain intangibles; rent and other occupancy costs for campus support center; and other expenses incurred at campus support center. Additionally, all bonus and other incentive compensation expenses are included in general and administrative expenses.

Marketing and admissions expenses include compensation for college admissions staff, regional admissions personnel, compensation expenses for marketing management, and all direct marketing and production costs.

The following table summarizes our operating results as a percentage of net revenues for the periods indicated.

	Years Ended June 30,		
	2010	2009	2008
Statement of Operations Data:			
Net revenues	100.0%	100.0%	100.0%
Operating expenses:			
Educational services	55.2	57.6	58.5
General and administrative	10.9	10.4	10.8
Marketing and admissions	20.3	22.6	25.9
Impairment, facility closing, and severance charges	0.0	0.3	0.6
Total operating expenses	86.4	90.9	95.8
Income from operations	13.6	9.1	4.2
Interest income	(0.1)	(0.1)	(0.3)
Interest expense, net	0.3	0.1	0.1
Other (income) expense, net	(0.3)	0.1	(0.1)
Income from continuing operations before provision for income taxes	13.7	9.0	4.5
Provision for income taxes	5.4	3.6	1.4
Income from continuing operations	8.3	5.4	3.1
Loss from discontinued operations, net of tax	(0.0)	(0.1)	(1.1)
Net income	8.3%	5.3%	2.0%

Year Ended June 30, 2010 Compared to Year Ended June 30, 2009

Net Revenues. Net revenues increased $456.0 million, or 34.9%, from $1,307.8 million in fiscal 2009 to $1,763.8 million in fiscal 2010. The increase is primarily due to a 29.0% increase in the average student population and a 4.5% increase in the average revenue rate per student during the period. At June 30, 2010, student population was 110,580, compared with 86,088 at June 30, 2009. Total student starts increased 17.5% to 137,831 for the year ended June 30, 2010 when compared to the prior year. As of June 30, 2010 and 2009, we operated 118 and 106 colleges, respectively.

Educational Services. Educational services expenses include direct operating expenses of the schools consisting primarily of payroll and payroll related expenses, rents, occupancy, supplies expenses, bad debt expense and other educational related expenses. Educational services expenses increased $219.2 million, or 29.1%, from $753.7 million in fiscal 2009 to $972.9 million in fiscal 2010. As a percentage of net revenues, educational services expenses decreased from 57.6 % of revenues in fiscal 2009 to 55.2% of revenues in fiscal 2010. The decrease as a percentage of revenue was primarily due to a reduction in bad debt expense and facility costs. Bad debt expense amounted to $94.6 million and 5.4% of net revenue in fiscal 2010 compared to $106.7 million and 8.2% of net revenue in fiscal 2009. The improvement in bad debt expense was primarily the result of higher student retention and continued efficiencies in packaging students with financial aid. The reduction in facility costs as a percentage of revenue is primarily attributable to the amounts being generally fixed in nature.

General and Administrative. General and administrative expenses include corporate compensation expenses, headquarters office rents and occupancy expenses, professional fees and other support related expenses. General and administrative expenses increased $56.9 million, or 41.9%, from $135.7 million in fiscal 2009 to $192.6 million in fiscal 2010. As a percentage of net revenues, general and administrative expenses increased from 10.4% in fiscal 2009 to 10.9% in fiscal 2010. The increase as a percentage of revenue is primarily due to transaction costs of $4.0 million related to the Heald acquisition incurred during fiscal 2010.

Marketing and Admissions. Marketing and admissions expenses consist primarily of direct-response and other advertising expenses, payroll and payroll related expenses, promotional materials and other related marketing costs. Marketing and admissions expenses increased $62.9 million, or 21.3%, from $294.7 million in fiscal 2009 to $357.6 million in fiscal 2010. As a percentage of net revenues, marketing and admissions expenses decreased from 22.6% in fiscal 2009 to 20.3% in fiscal 2010. The decrease as a percentage of revenue is primarily attributable to a decrease in advertising costs. The cost per start increased $82, or 3.3%, from $2,512 in fiscal 2009 to $2,594 in fiscal 2010.

Impairment, Facility Closing and Severance Charges. In fiscal 2009, we incurred impairment and severance charges of $4.4 million. Of that amount, approximately $2.5 million is related to a loss on student loan receivables associated with the Marietta and Jonesboro, Georgia campuses. These schools were branches of the Atlanta, Georgia campus during a portion of the previous fiscal year. In addition, the Company recorded a severance charge of $1.9 million. There were no impairment charges in fiscal 2010.

Provision for Income Taxes. The effective income tax rate was 39.5% of income before income taxes in fiscal 2010 compared to 39.3% of income before income taxes in fiscal 2009.

Year Ended June 30, 2009 Compared to Year Ended June 30, 2008

Net Revenues. Net revenues increased $239.1 million, or 22.4%, from $1,068.7 million in fiscal 2008 to $1,307.8 million in fiscal 2009. The increase is primarily due to a 15.1% increase in the average student population and a 6.3% increase in the average revenue rate per student during the period. At June 30, 2009, student population related to continuing operations was 86,088, compared with 69,211 at June 30, 2008. Total student starts related to continuing operations increased 17.1% to 117,352 for the year ended June 30, 2009 when compared to the prior year. As of June 30, 2009 and 2008, we operated 106 colleges.

Educational Services. Educational services expenses include direct operating expenses of the schools consisting primarily of payroll and payroll related expenses, rents, occupancy, supplies expenses, bad debt expense and other educational related expenses. Educational services expenses increased $128.2 million, or 20.5%, from $625.5 million in fiscal 2008 to $753.7 million in fiscal 2009. As a percentage of net revenues, educational services expenses decreased from 58.5% of revenues in fiscal 2008 to 57.6% of revenues in fiscal 2009. The decrease as a percentage of revenue was primarily due to a reduction in facility and personnel costs, partially offset by an increase in bookstore and bad debt expense. Bad debt expense amounted to $106.7 million and 8.2% of net revenue in fiscal 2009 compared to $72.8 million and 6.8% of net revenue in fiscal 2008. The increase in bad debt expense was primarily due to additional exposure the Company incurred to student receivables as a result of the contraction of liquidity in the credit markets for subprime borrowers. The reduction in facility and personnel costs as a percentage of revenue is primarily attributable to the amounts being generally fixed in nature.

General and Administrative. General and administrative expenses include corporate compensation expenses, headquarters office rents and occupancy expenses, professional fees and other support related expenses. General and administrative expenses increased $20.8 million, or 18.1%, from $114.9 million in fiscal 2008 to $135.7 million in fiscal 2009. As a percentage of net revenues, general and administrative expenses decreased from 10.8% of net revenues in fiscal 2008 to 10.4% of net revenues in fiscal 2009.

Marketing and Admissions. Marketing and admissions expenses consist primarily of direct-response and other advertising expenses, payroll and payroll related expenses, promotional materials and other related marketing costs. Marketing and admissions expenses increased $17.8 million, or 6.4%, from $276.9 million in fiscal 2008 to $294.7 million in fiscal 2009. As a percentage of net revenues, marketing and admissions expenses decreased from 25.9% of net revenues in fiscal 2008 to 22.6% of net revenues in fiscal 2009. The decrease is primarily attributable to a decrease in advertising costs. The cost per start decreased $251, or 9.1%, from $2,763 in fiscal 2008 to $2,512 in fiscal 2009.

Impairment, Facility Closing and Severance Charges. In the fourth quarter of fiscal 2009, we incurred impairment and severance charges of $4.4 million. Of that amount, approximately $2.5 million is related to a loss on student loan receivables associated with the Marietta and Jonesboro, Georgia campuses. These schools were branches of the Atlanta, Georgia campus during a portion of the previous fiscal year. Due to accreditation issues, the Atlanta campus was closed during fiscal 2008 and placed in discontinued operations. In addition, the Company recorded a severance charge of $1.9 million.

Provision for Income Taxes. The effective income tax rate was 39.3% of income before income taxes in fiscal 2009 compared to 31.2% of income before income taxes in fiscal 2008. The lower effective rate in fiscal 2008 was due to a reduction in the liability for uncertain tax positions following the completion of the IRS exam for fiscal years 2004 through 2006 and the filing of an application for a change in accounting method with the IRS during the third quarter of fiscal 2008. Additionally, during the fourth quarter of fiscal 2008, we recognized a benefit related to the Pennsylvania Keystone Opportunity Zone Credit for taxes paid during fiscal years 2004 to 2007.

Discontinued Operations. The loss of $2.4 million in discontinued operations includes the operating results of the campuses closed and a reserve of approximately $0.9 million (net of tax) taken against receivables related to the Atlanta campus.

Seasonality and Other Factors Affecting Quarterly Results

Our revenues normally fluctuate as a result of seasonal variations in our business. Student population varies as a result of new student enrollments and student attrition. Historically, our colleges, schools and training centers have had lower student populations in the first fiscal quarter than in the remainder of the year. Our expenses, however, do not vary as significantly as student population and revenues. We expect quarterly fluctuations in operating results to continue as a result of seasonal enrollment patterns. Such patterns may change, however, as a result of acquisitions, new branch openings, new program adoptions and increased enrollments from recent high school graduates. The operating results for any quarter are not necessarily indicative of the results for any future period. See the footnote entitled Selected Quarterly Financial Summary (Unaudited) of the Consolidated Financial Statements included elsewhere herein.

Liquidity and Capital Resources

On September 30, 2009, the Company entered into a Third Amended and Restated Credit Agreement (the Credit Facility) with aggregate borrowing capacity of $280 million, of which $260 million was a domestic facility and $20 million, was a Canadian facility. On February 22, 2010, the Company increased by $35 million the aggregate capacity under the Credit Facility. The aggregate borrowing capacity under the Credit Facility is now $315 million, of which $295 million is a domestic facility and $20 million, is a Canadian facility. The Credit Facility expires on October 1, 2012. The Credit Facility has been established to provide available funds for acquisitions, to fund general corporate purposes, and to provide for letters of credit issuances of up to $50 million for domestic letters of credit and $15 million for Canadian letters of credit. Borrowings under the agreement bear interest at several pricing alternatives available to us, including Eurodollar and adjusted reference or base rates. The domestic base rate is defined as the higher of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the Bank of America prime rate, or (c) the one-month Eurodollar Rate plus 1.00%. The Canadian base rate is defined as the higher of (a) the average rate for 30 day Canadian Dollar bankers acceptances plus 3/4 of 1%, (b) the Bank of America Canada prime rate or (c) the one-month Eurodollar Rate plus 1.00%. The agreement contains customary affirmative and negative covenants including financial covenants requiring the maintenance of consolidated net worth, fixed charge coverage ratios, leverage ratios, and a U.S. Department of Education (ED) financial responsibility composite score ratio. As of June 30, 2010, the Company was in compliance with all of the covenants. As of June 30, 2010, the credit facility had borrowings outstanding of $284.3 million and approximately $26.3 million to support standby letters of credit. A $15.8 million letter of credit was released in July 2010. The third amended and restated credit agreement is secured by the stock of the Company s significant operating subsidiaries and it is guaranteed by the Company s present and future significant operating subsidiaries. Average daily borrowings outstanding amounted to $57.8 million in fiscal 2010, $25.1 million in fiscal 2009 and $31.8 million in fiscal 2008.

Long-term debt also includes a term loan credit facility (the Mortgage Facility) dated March 24, 2009 between the Company s wholly-owned subsidiary, Heald Real Estate, LLC (Heald Real Estate), and Bank of America, N.A. (B of A) that is secured by real estate of Heald Real Estate and guaranteed by Heald Capital, LLC and Heald Education, LLC (the Heald Guarantors). On January 4, 2010, Heald Real Estate, the Heald Guarantors and B of A entered into an amendment and waiver to the Mortgage Facility (the 1st Amendment and Waiver), pursuant to which B of A waived compliance with all covenants and defaults under the Mortgage Facility except for the requirement that Heald Real Estate continue making regularly scheduled payments under the Mortgage Facility. Also on January 4, 2010, Corinthian entered into a Continuing and Unconditional Guaranty to guarantee the obligations of Heald Real Estate under the Mortgage Facility. The parties also agreed that any defaults under Corinthian s syndicated Third Amended and Restated Credit Agreement (the Credit Facility) will constitute a default under the Mortgage Facility. On March 31, 2010, Heald Real Estate, entered into an Amended and Restated Credit Agreement (the Amended Heald Credit Agreement) with B of A as administrative agent for the lenders, and each lender from time to time party thereto. Pursuant to the terms of the Amended Heald Credit Agreement, the parties amended and restated the covenants and default provisions under the Mortgage Facility to substantially parallel those provisions in the Company s Credit Facility. All other material provisions of the Mortgage Facility remained substantially unchanged. As a condition precedent to the effectiveness of the Amended Heald Credit Agreement, Bank of the West agreed to assume approximately $8 million, and Heald Real Estate prepaid approximately $7 million, of the loans outstanding under the Mortgage Facility. The total outstanding principal and interest under the Amended Heald Credit Agreement as of June 30, 2010 was approximately $15.8 million. The outstanding term loans under the Amended Heald Credit Agreement bear interest, at Heald Real Estate s option, either (a) at the Base Rate (as defined in the Amended Heald Credit Agreement) or (b) at the Eurodollar Rate (as defined in the Amended Heald Credit Agreement) for the applicable interest period plus 3.00% per annum. The minimum interest rate is 4.00% per annum. The Amended Heald Credit Agreement matures on March 24, 2012. The Amended Heald Credit Agreement has a related fixed interest rate swap agreement with B of A that is guaranteed by the Heald Guarantors and secured by the same collateral that secures the Amended Heald Credit Agreement. The fair value of the fixed interest rate swap is not material at June 30, 2010.

Working capital amounted to $140.4 million as of June 30, 2010 and $107.9 million as of June 30, 2009 and the current ratio was 1.5:1 in fiscal 2010 and 1.5:1 in fiscal 2009. Average daily borrowings outstanding amounted to approximately $57.8 million in fiscal 2010, $25.1 million in fiscal 2009, and $31.8 million in fiscal 2008. The increase in working capital compared to June 30, 2009 is primarily due to an increase in cash balances resulting from cash borrowed for purposes of calculating our composite score at year-end of $165 million, an increase in student receivables, and prepaid expenses, partially offset by cash paid to acquire Heald, an increase in accrued expenses, accounts payable, and prepaid tuition.

Cash flows provided by operating activities amounted to $204.0 million in fiscal 2010 compared to $198.7 million in fiscal 2009 and to $13.6 million in fiscal 2008. The increase in cash provided by operating activities in fiscal 2010 compared to fiscal 2009 was primarily due to an increase in earnings before depreciation, amortization, and stock-based compensation of $93.3 million and a decrease in the excess tax benefit from share-based compensation of $3.1 million, partially offset by a decrease in cash provided by working capital and deferred taxes of $73.1 million and $18.7 million, respectively. Included in cash flows from operating activities is $1.2 million and $2.6 million of net cash used in operating activities related to discontinued operations for fiscal 2009 and fiscal 2008 respectively. There were no cash flows from discontinued operations for fiscal 2010.

Cash flows used in investing activities amounted to $430.8 million in fiscal 2010, $48.8 million in fiscal 2009 and $36.6 million in fiscal 2008. The increase in cash used in investing activities during fiscal 2010 compared to fiscal 2009 is attributable to net cash paid to acquire Heald of $347.3 million and an increase in capital expenditures of $34.0 million. The net proceeds from the sale of marketable securities in fiscal 2008 was $15.0 million. There were no sales of marketable securities in fiscal 2010 and 2009.

Capital expenditures amounted to $83.5 million in fiscal 2010, $49.5 million in fiscal 2009 and $54.9 million in fiscal 2008. Capital expenditures were incurred to relocate, remodel and enlarge campuses. During fiscal 2010, we incurred capital expenditures to relocate 1 campus and to enlarge or remodel 42 campuses. During fiscal 2009, we incurred capital expenditures to relocate 5 campuses and to enlarge or remodel 5 campuses and during fiscal 2008, we incurred capital expenditures to relocate 2 campuses and to enlarge or remodel 10 campuses. Capital expenditures of approximately $15.6 million, $13.3 million, $25.2 million were incurred to purchase and to integrate software in fiscal 2010, fiscal 2009 and fiscal 2008, respectively. Included in cash flows from investing activities are capital expenditures of $0.1 million related to discontinued operations in fiscal 2008. There were no capital expenditures related to discontinued operations for fiscal 2010 and 2009.

Cash flows provided by (used in) financing activities amounted to $275.2 million in fiscal 2010 and ($21.4) million in fiscal 2009, and ($44.9) million in fiscal 2008. During fiscal 2010, cash provided by financing activities consisted of net borrowings of $262.2 million, proceeds from the exercise of stock options and the Employee Stock Purchase Plan of $11.5 million, and the excess tax benefit from share-based compensation of $1.6 million. During fiscal 2009, cash used in financing activities consisted of net repayment of borrowings of $45.4 million, partially offset by proceeds from the exercise of stock options and the Employee Stock Purchase Plan of $19.2 million and the excess tax benefit from share-based compensation of $4.7 million. During fiscal 2008, cash used in financing activities consisted of repayment of borrowings of $52.2 million, partially offset by proceeds from the exercise of stock options and the Employee Stock Purchase Plan of $7.3 million.

Historically, we had developed several loan programs with origination and servicing providers such as Sallie Mae for students with low credit scores who otherwise would not qualify for loans. These loan programs required that we pay a discount fee to the origination and servicing providers of the loans as a reserve against future defaults on these loans. We have historically referred to these types of loans as discount loans, since we incurred a portion of the default risk related to these student loans by taking a discount on the disbursement. By accepting a reduced payment for these discounted loans from the servicing providers, we were not at risk for the amounts agreed to by them and the service providers but were not entitled to any proceeds collected by the service providers in excess of this amount. Therefore we had recorded this discount as a reduction to revenue.

In fiscal 2008 we were informed by Sallie Mae and two other origination and servicing providers that they would no longer make private loans available for students who present higher credit risks (i.e. subprime borrowers). In the face of this change in policy, we created a new lending program in the fourth quarter of fiscal 2008 with a different origination and servicing provider, Genesis Lending Services, Inc. (Genesis), who specializes in subprime credit. This new lending program has characteristics similar to our previous discount loan programs. As with our previous discount loan program,

under this new Genesis program we pay a discount to the origination and servicing provider for any loans purchased by Genesis and record the discount as a reduction to revenue. However, unlike our previous discount loan programs, under our new discount program we have both the right and an obligation to acquire the related loan, except in certain limited circumstances where Genesis does not comply with the terms of our agreement. Since we initiated the new discount program, we have acquired all of the loans that have been originated. Therefore, we are currently exposed to any credit defaults by our students but retain all amounts collected from our students under the current program. Additionally, the new discount loan program has also replaced our legacy loan program, called STAR. We estimate loans funded under the Genesis program, net of estimated refunds have been approximately $120.0 million, $120.0 million and $10.0 million, for the years ended June 30, 2010, 2009 and 2008, respectively. These amounts are an estimate as some loans contain amounts that will be recognized during future periods. Accordingly, unrecognized loans amounts are subject to the Company s refund policy.

Included within the Consolidated Statement of Operations, under the caption Other (income) expense, for the years ended June 30, 2010 and 2009 is a net other income (loss) of $3.9 million and ($0.6) million, respectively, associated with the Genesis notes program, respectively. The net other income primarily reflects the interest income and loan origination fees, partially offset by costs related to servicing loans. In accordance with accounting guidance Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases, we defer and recognize both the loan origination income and direct loan origination costs as an adjustment to the yield over the life of the related loan. All other lending-related costs, including costs related to servicing fees are charged to expense as incurred.

We believe that our working capital, cash flow from operations, access to operating leases and borrowings available from our amended credit agreement will provide us with adequate resources for our ongoing operations and planned capital expenditures through fiscal 2011.

Off-Balance Sheet Arrangements and Contractual Obligations

As of June 30, 2010, future minimum cash payments due under contractual obligations, including our credit agreement, mortgages, and non-cancelable operating and capital lease agreements, are as follows:

	Payments due by period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
Long-Term Debt (1)	$ 300,098	$ 730	$ 299,368	$	$
Capital Lease Obligations	25,059	1,996	4,096	4,140	14,827
Operating Lease Obligations	635,853	98,750	175,286	128,224	233,593
Total	$ 961,010	$ 101,476	$ 478,750	$ 132,364	$ 248,420

(1) Long-term debt consists of a revolving credit facility and mortgage facility obligation. The related obligations of $300.1 million do not reflect interest amounts due under the credit facility. See Note 6 for additional information related to the Company s credit facility.

The United States ED requires that Title IV Program funds collected in advance of student billings be kept in a separate cash or cash equivalent account until the students are billed for the program portion related to those funds. In addition, all Title IV Program funds received by our schools through electronic funds transfer are subject to certain holding period restrictions. These funds are also deposited into a separate account until the restrictions are satisfied. As of June 30, 2010, we held nominal amounts of such funds in separate accounts. The restrictions on any cash held have not significantly affected our ability to fund daily operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to the impact of interest rate changes and foreign currency fluctuations. We do not utilize interest rate swaps, forward or option contracts on foreign currencies or commodities, or other types of derivative financial instruments to manage these risks.

Interest Rate Exposure. As of June 30, 2010, our only assets or liabilities subject to risks from interest rate changes are (i) debt under the credit facility in the aggregate amount of $300.1 million and capital lease obligations of $14.2 million, and (ii) student notes receivable, net, in the aggregate amount of $68.2 million. Our capital lease obligations and student notes receivable are all at fixed interest rates. We do not believe we

are subject to material risks from reasonably possible near-term changes in market interest rates.

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Foreign Currency Exposure. A portion of our operations consists of an investment in a foreign subsidiary whose functional currency is the Canadian dollar. Our investment in our foreign operations as of June 30, 2010 was approximately CAD $35.8 million and we had borrowings outstanding under the credit facility of approximately CAD $15 million. As a result, the consolidated financial results have been and could continue to be affected by changes in foreign currency exchange rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements of the Company and its subsidiaries are included below on pages 60-90 of this report:

	10-K Report Page
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting	60
Report of Independent Registered Public Accounting Firm	61
Consolidated Balance Sheets as of June 30, 2010 and 2009	62
Consolidated Statements of Operations for the years ended June 30, 2010, 2009 and 2008	63
Consolidated Statements of Stockholders Equity for the years ended June 30, 2010, 2009 and 2008	64
Consolidated Statements of Cash Flows for the years ended June 30, 2010, 2009 and 2008	65
Notes to Consolidated Financial Statements	66

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and stockholders of

Corinthian Colleges, Inc. and Subsidiaries

We have audited Corinthian Colleges, Inc. and subsidiaries internal control over financial reporting as of June 30, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Corinthian Colleges, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management s Report on Internal Control Over Financial Reporting, management s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Heald Capital LLC, which is included in the June 30, 2010 consolidated financial statements of Corinthian Colleges, Inc. and subsidiaries and constituted $89.1 million of total assets and $23.5 million of net assets, excluding intangible assets of $351.0 million as of June 30, 2010 and $121.0 million and $8.1 million of revenue and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Corinthian Colleges, Inc. and subsidiaries also did not include an evaluation of the internal control over financial reporting of Heald Capital LLC.

In our opinion, Corinthian Colleges, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2010, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Corinthian Colleges, Inc. and subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended June 30, 2010 and our report dated August 20, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Orange County, California

August 20, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of

Corinthian Colleges, Inc. and subsidiaries

We have audited the accompanying consolidated balance sheets of Corinthian Colleges, Inc. and subsidiaries (the Company) as of June 30, 2010 and 2009, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended June 30, 2010. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Corinthian Colleges, Inc. and subsidiaries at June 30, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Corinthian Colleges, Inc. and subsidiaries internal control over financial reporting as of June 30, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 20, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Orange County, California

August 20, 2010

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

	As of June 30, 2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 209,165	$ 160,276
Accounts receivable, net of allowance for doubtful accounts of $27,533 and $25,416 at June 30, 2010 and 2009, respectively	95,526	65,976
Student notes receivable, net of allowance for doubtful accounts of $18,496 and $8,203 at June 30, 2010 and 2009, respectively	20,743	11,532
Deferred income taxes	47,591	32,369
Prepaid expenses and other current assets	64,697	37,946
Assets held for sale from discontinued operations		432
Total current assets	437,722	308,531
PROPERTY AND EQUIPMENT, net	298,083	227,553
OTHER ASSETS:		
Goodwill	400,204	186,644
Other intangibles, net	189,676	38,647
Student notes receivable, net of allowance for doubtful accounts of $42,339 and $20,975 at June 30, 2010 and 2009, respectively	47,480	29,938
Deposits and other assets	13,211	3,709
Deferred income taxes	3,044	3,849
TOTAL ASSETS	$ 1,389,420	$ 798,871
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 74,906	$ 39,159
Accrued compensation and related liabilities	110,972	79,989
Accrued expenses	29,289	13,048
Prepaid tuition	80,889	66,656
Current portion of capital lease obligations	525	474
Current portion of long-term debt	730	
Liabilities held for sale from discontinued operations		1,257
Total current liabilities	297,311	200,583
LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current portion	13,636	14,189
LONG-TERM DEBT, net of current portion	299,368	13,895
DEFERRED INCOME TAXES	22,608	14,922
OTHER LONG-TERM LIABILITIES	65,463	37,614
COMMITMENTS AND CONTINGENCIES (Note 11)		
STOCKHOLDERS EQUITY:		
Common Stock, $0.0001 par value:		
Common Stock, 120,000 shares authorized: 90,386 issued and 88,129 shares outstanding at June 30, 2010 : 89,341 issued and 87,085 shares outstanding at June 30, 2009	9	9
Additional paid-in capital	232,623	208,331
Treasury stock	(31,368)	(31,368)
Retained earnings	489,168	343,197

Accumulated other comprehensive income (loss)	602	(2,501)
Total stockholders equity	691,034	517,668
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 1,389,420	$ 798,871

The accompanying notes are an integral part of these consolidated financial statements.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Years Ended June 30, 2010	2009	2008
NET REVENUES	$ 1,763,797	$ 1,307,825	$ 1,068,671
OPERATING EXPENSES:			
Educational services (including bad debt expense of $94,557, $106,702 and $72,757 for the years ended June 30, 2010, 2009 and 2008, respectively)	972,910	753,707	625,481
General and administrative	192,579	135,747	114,938
Marketing and admissions	357,563	294,728	276,875
Impairment, facility closing and severance charges		4,378	6,603
Total operating expenses	1,523,052	1,188,560	1,023,897
INCOME FROM OPERATIONS	240,745	119,265	44,774
Interest income	(1,190)	(1,763)	(3,376)
Interest expense (net of capitalized interest of $1,291, $486, and $2,054 for the years ended June 30, 2010, 2009 and 2008, respectively)	5,009	2,715	1,793
Other (income) expense, net	(4,378)	1,170	(1,387)
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	241,304	117,143	47,744
Provision for income taxes	95,333	46,015	14,879
INCOME FROM CONTINUING OPERATIONS	145,971	71,128	32,865
LOSS FROM DISCONTINUED OPERATIONS, net of tax benefit of $0, ($1,603), and ($5,346) for the years ended June 30, 2010, 2009 and 2008, respectively		(2,368)	(11,598)
NET INCOME	$ 145,971	$ 68,760	$ 21,267
INCOME PER SHARE BASIC:			
Income from continuing operations	$ 1.66	$ 0.82	$ 0.39
Loss from discontinued operations		(0.02)	(0.14)
Net income	$ 1.66	$ 0.80	$ 0.25
INCOME PER SHARE DILUTED:			
Income from continuing operations	$ 1.65	$ 0.81	$ 0.39
Loss from discontinued operations		(0.02)	(0.14)
Net income	$ 1.65	$ 0.79	$ 0.25
Weighted average number of common shares outstanding:			
Basic	87,696	86,121	84,954
Diluted	88,707	87,517	86,013

The accompanying notes are an integral part of these consolidated financial statements.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands)

	Common Stock		Additional		Accumulated Other		
	Shares	Par Value	Paid-in Capital	Treasury Stock	Comprehensive Income (Loss)	Retained Earnings	Stockholders Equity
Balance at June 30, 2007	86,773	$ 9	$ 160,312	$ (31,368)	$ 875	$ 255,594	$ 385,422
Adoption of new tax accounting guidance (See Note 9)						(2,424)	(2,424)
Balance as of July 1, 2007 upon adoption of tax accounting guidance	86,773	9	160,312	(31,368)	875	253,170	382,998
Comprehensive income							
Net income						21,267	21,267
Foreign currency translation					(185)		(185)
Other post employment benefit adjustment					(288)		(288)
Total comprehensive income							20,794
Issuance of common stock from employee stock purchase plan and exercise of stock options, including tax benefit	702		7,338				7,338
Stock based compensation expense			10,892				10,892
Balance at June 30, 2008	87,475	$ 9	$ 178,542	$ (31,368)	$ 402	$ 274,437	$ 422,022
Comprehensive income							
Net income						68,760	68,760
Foreign currency translation					(3,080)		(3,080)
Other post employment benefit adjustment					177		177
Total comprehensive income							65,857
Issuance of common stock from employee stock purchase plan and exercise of stock options, including tax benefit	1,866		18,013				18,013
Stock based compensation expense			11,776				11,776
Balance at June 30, 2009	89,341	$ 9	$ 208,331	$ (31,368)	$ (2,501)	$ 343,197	$ 517,668
Comprehensive income							
Net income						145,971	145,971
Foreign currency translation					2,850		2,850
Other post employment benefit adjustment					253		253
Total comprehensive income							149,074
Issuance of common stock from employee stock purchase plan and exercise of stock options, including tax benefit	1,045		10,288				10,288
Stock based compensation expense			14,004				14,004
	90,386	$ 9	$ 232,623	$ (31,368)	$ 602	$ 489,168	$ 691,034

The accompanying notes are an integral part of these consolidated financial statements.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended June 30,		
	2010	**2009**	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 145,971	$ 68,760	$ 21,267
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	66,035	52,155	44,777
Stock based compensation	14,004	11,776	10,892
Deferred income taxes	(26,975)	(11,344)	(14,257)
Loss on disposal of assets	809	16	821
Impairment charge			977
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable, net	(29,780)	48,569	(40,294)
Student notes receivable, net	(21,561)	(24,436)	(7,107)
Prepaid expenses and other assets	(16,204)	(4,777)	12,411
Accounts payable	21,905	5,430	(11,350)
Accrued expenses and other liabilities	16,298	34,918	10,808
Income taxes payable	9,173	24	(9,111)
Prepaid tuition	10,437	22,242	(5,199)
Other long-term liabilities	13,924	(4,656)	(1,022)
Net cash provided by operating activities	204,036	198,677	13,613
CASH FLOWS FROM INVESTING ACTIVITIES:			
Disposals of schools, colleges and training centers			2,941
Capital expenditures	(83,488)	(49,525)	(54,880)
Proceeds from sale of assets		731	371
Sales of marketable securities			94,450
Purchases of marketable securities			(79,450)
Acquisition of Heald, net of cash acquired	(347,299)		
Net cash used in investing activities	(430,787)	(48,794)	(36,568)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	512,062	12,924	
Principal repayments on capital lease obligations and long-term debt	(249,898)	(58,291)	(52,196)
Proceeds from exercise of stock options and employee stock purchase plan (including tax benefit of $3,858, $7,612, and $1,527 for the years ended June 30, 2010, 2009, and 2008, respectively)	11,480	19,246	7,282
Excess tax benefit from share-based compensation	1,600	4,701	
Net cash (used in) provided by financing activities	275,244	(21,420)	(44,914)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	396	(191)	84
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,889	128,272	(67,785)
CASH AND CASH EQUIVALENTS, beginning of year	160,276	32,004	99,789
CASH AND CASH EQUIVALENTS, end of year	$ 209,165	$ 160,276	$ 32,004

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Income taxes	$ 99,429	$ 51,215	$ 18,509
Interest paid, net of capitalized interest	$ 4,801	$ 2,736	$ 3,320

The accompanying notes are an integral part of these consolidated financial statements.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2010

Note 1 Description of the Business and Summary of Significant Accounting Policies

Description of the Business

Corinthian Colleges, Inc. (the Company), a Delaware corporation, was formed in October 1996 during a reorganization transaction with a predecessor company which was accounted for as a recapitalization.

As of June 30, 2010, the Company operated 101 colleges in 25 states and 17 colleges in the Ontario, Canada province in the for-profit, post-secondary education industry. All of the Company s U.S. schools are accredited and grant either diplomas or degrees (associate s, bachelor s and master s) and offer educational opportunities from an extensive and diverse curricula library with an emphasis on four primary concentrations: allied health, business, technology, and criminal justice. All of the Canadian schools grant diplomas and are regulated by the provincial ministry of education responsible for registering or licensing the for-profit educational institutions. Through its On-Line Learning division, the Company also offers an online learning alternative available to students pursuing education exclusively online. Revenues generated from the Company s schools consist primarily of tuition and fees paid by students. To pay for a substantial portion of their tuition, the majority of students rely on funds received from federal financial aid programs under Title IV (Title IV Programs) of the Higher Education Act of 1965, as amended (HEA). For further discussion, see Concentration of Risk below and the footnote describing Governmental Regulation.

On January 4, 2010 the Company completed its acquisition of Heald Capital, LLC, a Delaware limited liability company (Heald) for consideration of $395 million. Heald, through its subsidiaries, operates Heald College, a regionally accredited institution that prepares students for careers in healthcare, business, legal, information technology, and other growing fields, primarily through associate degree programs. Heald College operates 11 campuses and its results are included in the Consolidated Financial Statements from the date of acquisition.

Fiscal Year

Each fiscal year ends June 30.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Corinthian Colleges, Inc. and each of its wholly owned subsidiaries. All intercompany activity has been eliminated in consolidation.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Financial Statement Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. Such estimates and assumptions affect the amounts reported and disclosed in the financial statements. Actual results could differ from estimated amounts.

Cash and Cash Equivalents

The Company invests cash in excess of operating requirements in short-term time deposits, money market instruments and other investments. Securities with maturities of three months or less at the date of purchase are classified as cash equivalents.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, and accounts payable approximates their fair value at June 30, 2010 and 2009. In addition, the carrying value of all borrowings approximate fair value at June 30, 2010 and 2009. The student notes receivable, net, balances are presented within current and non-current assets on the consolidated balance sheets. It is not practicable to estimate the fair value of these financial instruments, since observable market data is not readily available.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of its students to make required payments. The Company determines the adequacy of this allowance by regularly

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

reviewing the accounts and notes receivable aging and applying various expected loss percentages to certain student accounts receivable categories based upon historical bad debt experience and consideration of the current economic environment. The Company generally will write-off accounts and notes receivable balances deemed uncollectible as they are sent to collection agencies. The Company offers a variety of payment plans to help students pay that portion of their education expense not covered by financial aid programs. These balances are unsecured and not guaranteed.

Property and Equipment

Property and equipment are stated at cost and are being depreciated or amortized utilizing the straight-line method over the following estimated useful lives:

Furniture and equipment	7 years
Computer hardware and software	3-10 years
Leasehold improvements	Shorter of useful life or term of lease
Buildings (owned)	39 years

Internal Software Development Costs

Corinthian Colleges capitalizes certain internal software development costs in accordance with accounting guidance which states that costs are amortized using the straight-line method over the estimated lives of the software. Capitalized costs include external direct costs of materials and services consumed in developing or obtaining internal-use software, and payroll-related costs for employees directly associated with the internal software development project. Capitalization of such costs ceases at the point at which the project is substantially complete and ready for its intended purpose. Maintenance and repairs are expensed as incurred. The unamortized computer software costs which are included within the Property and Equipment caption of the Consolidated Balance Sheets, were $59.9 million and $56.1 million at June 30, 2010 and 2009, respectively. The total amount of amortization expense related to capitalized computer software costs recognized within operating expenses on the Consolidated Statements of Operations, was $5.8 million, $5.4 million, and $3.3 million at June 30, 2010, 2009, and 2008, respectively.

Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets other than goodwill and indefinite-lived intangible assets in accordance with accounting guidance which requires the recognition of impairment of long-lived assets in the event the net book value of such assets exceeds the future undiscounted cash flows attributable to such assets. The Company assesses the recoverability of its long-lived assets on an annual basis or whenever adverse events or changes in circumstances or the business climate indicate that expected undiscounted future cash flows related to such long-lived assets may not be sufficient to support the net book value of such assets. If undiscounted cash flows are not sufficient to support the recorded assets, impairment is recognized to reduce the carrying value of the long-lived assets to the estimated fair value. Cash flow projections, although subject to a degree of uncertainty, are based on trends of historical performance and management s estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. Additionally, in conjunction with the review for impairment, the remaining estimated lives of certain of the Company s long-lived assets are assessed.

Discontinued Operations

Assets and liabilities which were expected to be sold or disposed of are presented separately on the consolidated balance sheets as assets or liabilities held for sale from discontinued operations for current and prior periods presented. When components of the Company are classified as held for sale, the results of operations of the components are presented separately as Income (Loss) from Discontinued Operations, net, for current and prior periods. See Note 2 Discontinued Operations of these notes to the Company s consolidated financial statements for further discussion of discontinued operations.

Goodwill and Other Intangible Assets

The Company has significant goodwill and other intangible assets. Goodwill represents the excess of the cost over the fair value of net assets acquired, including identified intangible assets. The Company considers a number of factors, including valuations and appraisals from independent valuation firms, in determining the amounts that are assignable to other intangible assets, such as curriculum, accreditation, and trade names. The Company, however, is ultimately responsible for the valuations. The fair value of identified intangible assets is derived using accepted valuation methodologies, including cost, market, and income approaches, as appropriate, following consultations with valuation firms and in accordance with the accounting guidance on Business Combinations and the requirements set forth by the Uniform Standards of Professional Appraisal Practice.

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company does not amortize goodwill, accreditation, or trade names as these assets meet the indefinite life criteria outlined in the accounting guidance on Accounting for Business Combinations, Goodwill and Other Intangible Assets. Curricula continue to be amortized over their useful lives ranging generally from three to fifteen years and Student Relationships is being amortized over its useful life of one year with all amortization expense included in educational services and general and administrative expenses in the accompanying Consolidated Statements of Operations.

Goodwill is tested annually or more frequently if circumstances indicate potential impairment, by comparing the enterprise fair value to its carrying amount at the reporting unit level as defined by the accounting guidance. The Company determined the fair value of its reporting units using the income approach that includes discounted cash flow as well as other generally accepted valuation methodologies. To the extent the fair value of a reporting unit is less that the carrying amount of its assets, the Company records an impairment charge in the consolidated statements of operations.

Indefinite-lived intangible assets are tested annually or more frequently if circumstances indicate potential impairment, by comparing their fair values to their carrying amounts. To the extent the fair value of an intangible asset is less than its carrying amount, an impairment charge is recorded in the consolidated statements of operations. For instance, if the Company were to discontinue the use of a trade name or lose accreditation at one or more of our acquired schools to which had been ascribed value for trade names and accreditation, the Company would test the amounts allocated to such assets for impairment. Such testing would include estimating the future cash flows expected to be received from the trade names and accreditation and comparing them to their carrying values. If the estimate of the present value of these future cash flows was below the carrying values of the related assets, the Company would consider the assets to be impaired and take a charge against the amounts allocated to trade names and accreditation.

The determination of related estimated useful lives of intangible assets and whether or not these intangible assets are impaired involves significant judgment. Although the Company believes the goodwill and intangible assets are fairly stated, changes in strategy or market conditions could significantly impact these judgments and require adjustments to asset balances.

Income Taxes

The Company accounts for income taxes in accordance with accounting guidance which prescribes the use of the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts, using currently enacted tax laws. Additionally, the Company employs a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The Company currently has deferred income tax assets which are subject to periodic recoverability assessments. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. Realization of the deferred income tax assets is principally dependent upon achievement of projected future taxable income offset by deferred income tax liabilities. The Company evaluates the realizability of the deferred income tax assets annually. In addition, the Company reviews the income tax filing positions quarterly and updates the tax contingency reserves as necessary.

Foreign Currency Translation

The financial position and results of operations of the Company s Canadian subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of the Canadian subsidiaries are translated to U.S. dollars using exchange rates in effect at the balance sheet dates. Income and expense items are translated at monthly average rates of exchange. The resultant translation adjustments are included as a component of Stockholders Equity designated as Accumulated Other Comprehensive Income. Exchange gains and losses arising from transactions denominated in a currency other than the functional currency are immediately recognized in earnings.

Comprehensive Income

For the years ended June 30, 2010, 2009 and 2008, the Company had comprehensive income of $149.1 million, $65.9 million and $20.8 million, respectively. For the years ended June 30, 2010, 2009 and 2008, comprehensive income consisted of net income, other post employment benefits

and amortization, and foreign currency translation adjustment. The cumulative

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

translation adjustment balance for the total operations of the Company included within other comprehensive income is $1.1 million, ($1.7) million, and $1.4 million as of June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The cumulative other post employment benefit balance for the total operations of the Company included within other comprehensive income is ($0.5) million, ($0.8) million, and ($1.0) million as of June 30, 2010, June 30, 2009, and June 30, 2008, respectively.

Revenue Recognition, Accounts Receivable and Prepaid Tuition

Revenues consist primarily of tuition and fees derived from courses taught in the Company s colleges and schools. Revenues from tuition and fees are recognized pro-rata (on a straight-line basis) over the relevant period attended by the student of the applicable course or program. Our pro-rata revenue recognition policy for diploma schools calculates revenue on a daily basis for some of the Company s schools and using a mid-month convention for other schools. If a student withdraws from a course or program, the paid but unearned portion of the student s tuition is refunded. Refunds are calculated and paid in accordance with applicable federal, state and institutional refund policies. Textbook sales and other revenues are recognized as sales occur or services are performed and represent less than 10% of total revenues. Prepaid tuition is the portion of payments received but not earned and is reflected as a current liability in the accompanying consolidated balance sheets as such amounts are expected to be earned within the next year.

Students attending the Company s institutions enroll in either (i) diploma programs, which cover a specific area of training over a discrete length of time (averaging nine months for such programs) or (ii) courses leading to an associate s, bachelor s or master s degree. Costs of programs or credit hours for courses are clearly identified in the Company s enrollment agreements. At the start of each student s respective program or course of study leading to a degree, the student executes an enrollment agreement which specifies the field of study, the expected length of study, and the cost of the program or course. The Company recognizes revenue from tuition and fees on a straight-line basis over the relevant period attended by the student of the applicable course or program of study. If a student withdraws from an institution, the Company ceases recognition of revenue and the paid but unearned portion of the student s tuition is refunded. Additionally, to ensure the delivery of education has occurred, either attendance is taken or academic events are conducted at appropriate intervals to ensure that the student is completing his or her respective field of study within the acceptable time period.

Educational Services

Educational services include the direct operating expenses of the schools consisting primarily of payroll and payroll related expenses, rents, occupancy and supplies expenses, bad debt expense, and other educational related expenses.

Marketing and Admissions

Marketing and admissions expenses consist primarily of direct-response and other advertising expenses, payroll and payroll related expenses, promotional materials and other related marketing costs. Advertising costs are charged to expense as incurred except for brochures and media production costs. The brochures and media production costs are recorded as prepaid expenses and charged to expense as consumed or upon the first airing of the advertisement, respectively. Advertising expenses amounted to approximately $162.2 million, $150.0 million, and $156.0 million for the years ended June 30, 2010, 2009 and 2008, respectively.

Insurance/Self-Insurance

The Company uses a combination of insurance and self-insurance for a number of risks including claims related to employee heath care, workers compensation, general liability, and business interruption. Liabilities associated with these risks are estimated based on, among other things, historical claims experience, severity factors and other actuarial assumptions. The Company s loss exposure related to self-insurance is limited by stop loss coverage. The expected loss accruals are based on estimates, and while the Company believes the amounts accrued are adequate, the ultimate loss may differ from the amounts provided.

The campus locations of Houston (Hobby) and Houston (Bissonett) suffered damage as a result of Hurricane Ike in September 2008. At the time of the event, the Company had business interruption and property damage coverage for these locations. During fiscal 2010 and 2009, the Company recovered approximately $3.2 million and $3.8 million in business interruption and property damage insurance that has been

recognized within educational services expense in the Consolidated Statements of Operations, respectively.

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Post Retirement Benefit Obligation

The Company provides certain post retirement benefits to a limited number of its previous employees and their families, which the Company recognizes the funded status of such plans as an asset or liability, with changes in the funded status recognized through comprehensive income in the year in which they occur.

Stock-Based Compensation

During the first quarter of fiscal 2006, the Company adopted accounting guidance in accordance with the modified-prospective-transition method and began recognizing compensation expense for stock options which vested during the year. Stock-based compensation expense of $14.0 million, $11.8 million and $10.9 million (pre-tax) were recorded for fiscal years 2010, 2009 and 2008, respectively. The tax benefit related to stock-based compensation recognized in fiscal 2010, 2009 and 2008, was $5.5, $4.6 and $1.5 million, respectively. The impact of stock-based compensation (net of tax) on fiscal years 2010, 2009 and 2008 is $0.10, $0.08 and $0.11 for both basic and diluted EPS, respectively.

Income Per Share

The Company computes basic net income per common share by dividing income attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per common share is computed by dividing income attributable to common stockholders by the weighted average number of common shares outstanding plus the effect of dilutive stock options and restricted stock units, utilizing the treasury stock method.

Segment Information

The Company s operations are aggregated into a single reportable operating segment based upon similar economic and operating characteristics as well as similar markets. The Company s operations are also subject to similar regulatory environments. The Company conducts its operations in the U.S. and Canada. Revenues and long-lived assets by geographic area are as follows:

	For the Year Ended June 30,		
	2010	2009 (In thousands)	2008
Revenues from unaffiliated customers			
U.S. operations	$ 1,682,542	$ 1,249,286	$ 1,004,372
Canadian operations	81,255	58,539	64,299
Consolidated	$ 1,763,797	$ 1,307,825	$ 1,068,671
Long-lived assets			
U.S. operations	$ 892,773	$ 436,024	$ 419,690
Canadian operations	58,925	54,316	59,317
Consolidated	$ 951,698	$ 490,340	$ 479,007

No one customer accounted for more than 10% of the Company s consolidated revenues or receivables. Revenues are attributed to regions based on the location of customers.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued guidance which established the FASB Accounting Standards Codification as the single source of authoritative accounting principles in the preparation of financial statements in conformity with GAAP. This guidance also explicitly recognized rules and interpretive releases of the Securities and Exchange Commission (SEC) under federal securities laws as authoritative GAAP for SEC registrants. This guidance was effective for financial statements issued for periods ending after September 15, 2009. The adoption of this guidance did not have an impact on the Company s consolidated financial condition or results of operations.

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Concentration of Risk

The Company maintains its cash and cash equivalents accounts in financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Company performs ongoing evaluations of these institutions to limit its concentration risk exposure.

The Company extends credit for tuition to a majority of its students. A substantial portion is repaid through the student s participation in federally funded financial aid programs. Transfers of funds from the financial aid programs to the Company are made in accordance with the U.S. Department of Education (ED) requirements. Approximately 89.8%, 88.9% and 80.8% of the Company s U.S. revenues, on a cash basis, were collected from funds distributed under Title IV Programs of the Higher Education Act of 1965, as amended (the HEA) for the years ended June 30, 2010, 2009 and 2008, respectively. The financial aid and assistance programs are subject to political and budgetary considerations. There is no assurance that such funding will be maintained at current levels. Extensive and complex regulations govern the financial assistance programs in which the Company s students participate. The Company s administration of these programs is periodically reviewed by various regulatory agencies. Any regulatory violation could be the basis for the initiation of potential adverse actions including a suspension, limitation, placement on reimbursement status, or termination proceeding which could have a material adverse effect on the Company.

If any of the Company s 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 obtain access to federal student financial aid through an ED 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 apply the funds received from the federal financial aid programs to pay their tuition and fees. The transfer of funds is from the financial aid program to the student, who then uses those funds to pay for a portion of the cost of their education. The receipt of financial aid funds reduces the student s amounts due to the Company and has no impact on revenue recognition, as the transfer relates to the source of funding for the costs of education which may occur either through Title IV or other funds and resources available to the student.

Note 2 Discontinued Operations

Fiscal 2008

During the fourth fiscal quarter of 2008, the Company decided to divest the WyoTech Oakland campus. The Company believes that the campus meets the criteria necessary for such an entity to qualify as assets held for sale. During the fourth quarter of fiscal 2009, the Company sold the capital assets of WyoTech Oakland for $0.2 million. Additionally, during the fourth fiscal quarter of 2008, the Company completed the teach-out of its Lynnwood WA, Everett WA, and Atlanta GA campuses. Accordingly, the results of operations of the campuses are reflected as discontinued operations in the Company s Consolidated Statements of Operations for all years presented.

The net assets held for sale are required to be recorded on the balance sheet at estimated fair value, less costs to sell. Accordingly, during the fourth fiscal quarter of 2008, the Company recorded a charge of approximately $2.6 million, net of income tax benefit of $1.2 million, to accrue future rental payments related to the closed campuses and to reduce the carrying value of the net assets of the Company s campuses held for sale and closed to estimated fair value, less costs to sell, as of June 30, 2008 (primarily related to the accrued rent of $2.8 million and the impairment of fixed assets in the amount of $1.0 million). Additionally, during the fourth quarter of fiscal 2009 and 2008, the Company recorded an additional reserve of approximately $0.9 million and $2.2 million (net of tax) taken against receivables related to the Atlanta campus, respectively. These charges are reflected as a component of loss from discontinued operations on the Company s Consolidated Statements of Operations for the year ended June 30, 2008. The Company expects to have no significant continuing involvement with the schools.

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effective February 29, 2008 the Company completed the sale of its 12 Canadian schools located outside the province of Ontario to a wholly-owned subsidiary of the Eminata Group, for a cash payment of CAD $3.0 million. This payment consists of the purchase price of CAD $7.4 million less preliminary negative working capital and other adjustments equal to CAD $4.4 million. This cash payment was subject to a final working capital adjustment that was finalized during the third quarter of fiscal 2009. The final working capital adjustment resulted in a payment to the buyer of $0.1 million.

The Company has paid employee retention and severance costs associated with these transactions of approximately $2.7 million as of June 30, 2008.

The Company had no activity or balances included in discontinued operations during fiscal 2010.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 Detail of Selected Balance Sheet Accounts

Prepaid expenses and other current assets consist of the following:

	As of June 30,	
	2010	2009
	(In thousands)	
Genesis notes program interest receivable	$ 7,757	$ 2,818
Prepaid rent and facilities	9,307	7,953
Prepaid advertising	8,813	5,008
Course materials	4,218	1,152
Heald acquisition related deferred compensation expense	3,574	
Income tax refund receivable		7,732
Tenant receivable allowance	12,931	387
Prepaid expenses and other current assets	18,097	12,896
	$ 64,697	$ 37,946

Property and equipment consist of the following:

	As of June 30,	
	2010	2009
	(In thousands)	
Furniture and equipment	$ 170,370	$ 145,466
Computer hardware and software	170,943	128,401
Leasehold improvements	178,558	145,598
Land	12,318	2,098
Buildings	58,510	38,454
	590,699	460,017
Less accumulated depreciation and amortization	(292,616)	(232,464)
	$ 298,083	$ 227,553

Depreciation expense associated with property and equipment was $58.4 million, $50.5 million and $42.6 million for the years ended June 30, 2010, 2009 and 2008, respectively. The amortization for leasehold improvements included in the totals above, is approximately $18.8 million, $17.0 million and $17.0 million for the years ended June 30, 2010, 2009 and 2008, respectively. The gross cost of assets recorded under capital building leases, included above, totaled approximately $16.6 million for the years ended June 30, 2010 and 2009. The accumulated amortization related to these assets is approximately $6.2 million and $5.3 million as of June 30, 2010 and 2009, respectively. The amortization expense associated with these capital lease assets is included in total depreciation expense.

Other intangibles, net consist of the following:

	As of June 30,	
	2010	2009
	(In thousands)	
Other Intangibles, net:		
Non-amortizable intangibles:		
Accreditation	$ 109,862	$ 21,852
Trade names	71,532	14,033
Non-amortizable intangibles	$ 181,394	$ 35,885

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	As of June 30,	
	2010	**2009**
	(In thousands)	
Amortizable intangibles, net:		
Curriculum	$ 18,977	$ 17,270
Student Relationships	10,869	575
Other	1,540	1,540
Amortizable intangibles	$ 31,386	$ 19,385
Less accumulated amortization	(23,104)	(16,623)
Amortizable intangibles, net	$ 8,282	$ 2,762
Other intangibles, net	$ 189,676	$ 38,647

The changes in the carrying amount of goodwill for the year ended June 30, 2010, were as follows (in thousands):

Goodwill balance as of June 30, 2009	$ 186,644
Currency translation adjustment	3,909
Acquisitions	209,651
Goodwill balance as of June 30, 2010	$ 400,204

Amortization expense associated with intangibles was $6.4 million, $1.4 million and $1.5 million for the years ended June 30, 2010, 2009 and 2008, respectively. Curriculum is amortized over a range of three to fifteen years. Student relationships are amortized over one year. The total remaining weighted-average amortization period for intangible assets subject to amortization is approximately 1.5 years as of June 30, 2010. Additionally, included in intangible amortization, the Company recognized non-compete agreement expense totaling approximately $0.2 million for the years ended June 30, 2010, 2009 and 2008.

As of June 30, 2010, estimated future amortization expense is as follows (in thousands):

2011	$ 6,560
2012	776
2013	446
2014	336
2015	164
Total	$ 8,282

Accrued expenses consist of the following:

	As of June 30,

	2010	2009
	(In thousands)	
Accrued advertising	$ 12,632	$ 7,560
Accrued legal expenses	952	1,724
Income tax payable	9,189	
Other	6,516	3,764
	$ 29,289	$ 13,048

Note 4 Student Notes Receivable

Historically, the Company had developed several loan programs with origination and servicing providers such as Sallie Mae for students with low credit scores who otherwise would not qualify for loans. These loan programs required that the Company pay a discount fee to the origination and servicing providers of the loans as a reserve against future defaults on these loans. The Company has historically referred to these types of loans as discount loans, since the Company incurred a portion of the default risk related to these student loans by taking a discount on the disbursement. By accepting a reduced payment for these discounted loans from the servicing providers, the Company was not at risk for the amounts agreed to by them and the service providers but were not entitled to any proceeds collected by the service providers in excess of this amount. Therefore the Company has recorded this discount as a reduction to revenue.

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In fiscal 2008, the Company was informed by Sallie Mae and two other origination and servicing providers that they would no longer make private loans available for students who present higher credit risks (i.e. subprime borrowers). In the face of this change in policy, the Company created a new lending program in the fourth quarter of fiscal 2008 with a different origination and servicing provider, Genesis Lending Services, Inc. (Genesis), who specializes in subprime credit. This new lending program has characteristics similar to the previous discount loan programs. As with the previous discount loan program, under this new Genesis program the Company pays a discount to the origination and servicing provider for any loans purchased by Genesis and records the discount as a reduction to revenue. However, unlike the previous discount loan programs, under the new discount program the Company has both the right and an obligation to acquire the related loan, except in certain limited circumstances where Genesis does not comply with the terms of the agreement. Since the Company initiated the new discount program, the Company has acquired all of the loans that have been originated. Therefore, the Company is currently exposed to any credit defaults by students but retains all amounts collected from the students under the current program. Additionally, the new discount loan program has also replaced the Company s legacy loan program, called STAR. The estimated loans funded under the Genesis program, net of estimated refunds, approximates $120.0 million and $120.0 million for the year-ended June 30, 2010 and 2009, respectively. These amounts are an estimate as some loans contain amounts that will be recognized during future periods. Accordingly, unrecognized loans amounts are subject to the Company s refund policy.

Included within the Consolidated Statement of Operations, under the caption Other (income) expense, for the years-ended June 30, 2010 and 2009 is net other income (loss) of $3.9 million and ($0.6) million, associated with the Genesis notes program, respectively. The net other income primarily reflects the interest income and loan origination fees, partially offset by costs related to servicing loans. The Company defers and recognizes both the loan origination income and direct loan origination costs as an adjustment to the yield over the life of the related loan. All other lending-related costs, including costs related to servicing fees are charged to expense as incurred.

Student notes receivable represent loans that have maturity dates that generally range between 12 months to 60 months from the loan origination date but can have terms as long as 15 years depending on amounts borrowed. The interest rate currently charged on all new loans is a fixed rate of 6.8% with an origination fee of 1%. Included in the consolidated balance sheet at June 30, 2010 and 2009 is $68.2 million and $41.5 million of notes receivable, respectively. As of June 30, 2010 the estimated unrecognized Genesis note balance is $13.0 million (net of discount). This amount is subject to the Company s refund policy.

Note 5 Business Acquisitions/Dispositions

Fiscal 2010

On January 4, 2010, Corinthian Colleges, Inc. completed its previously-announced acquisition of Heald, SP PE VII-B Heald Holdings Corp., a Delaware corporation (SP Holdings), and SD III-B Heald Holdings Corp., a Delaware corporation (SD Holdings ; each of SP Holdings and SD Holdings individually, a Holding Company and, collectively, the Holding Companies). The transaction was completed in accordance with a Securities Purchase and Sale Agreement, dated October 19, 2009 (the Purchase Agreement), by and among the Company, Heald, SP Holdings, SD Holdings, the individuals and entities set forth on Exhibit A of the Purchase Agreement (the Sellers and, each individually, a Seller) and Heald Investment, LLC, a Delaware limited liability company, as the Sellers Representative. Pursuant to the Purchase Agreement, the Company acquired all of the limited liability company membership interests in Heald (Membership Interests) by purchasing all of the outstanding capital stock of each of the Holding Companies and by purchasing Membership Interests directly from the Sellers, for total consideration of $395 million. The consideration paid was financed via existing cash and borrowings against the Company s line of credit in the amount of $224 million. The Company believes the acquisition is strategic given the experienced management team, strong operating metrics, regional accreditation and diverse program offerings and through its expertise and financial commitments it will be able to continue to grow the student population and program offerings. The Company has incurred $4.0 million in acquisition related costs which are included in general and administrative expenses in fiscal 2010.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Heald, through its subsidiaries, operates Heald College, a regionally accredited institution that prepares students for careers in healthcare, business, legal, information technology and other growing fields, primarily through associate degree programs. Heald College operates 11 campuses and had approximately 15,447 students at June 30, 2010.

The following is a summary, (in thousands), of the purchase transaction and the related preliminary allocation of the values assigned to the assets acquired and liabilities assumed. Management is in the process of finalizing the valuation of such amounts thus the allocation of the purchase price is subject to refinement. The Company believes that approximately $166.5 million of goodwill will be deductable for tax purposes.

Purchase price	$ 395,000
Preliminary working capital adjustment	22,172
Total consideration	$ 417,172
Allocation of purchase price:	
Working capital	$ 24,649
Other long-term assets	9,181
Property, plant and equipment	41,683
Unfavorable lease liability	(6,475)
Deferred tax liability	(7,776)
Intangible assets:	
Amortizable intangibles:	
Student relationships (estimated useful life is 1 year)	10,294
Curriculum (estimated useful life is 5 years)	1,600
Non-amortizable intangibles:	
Accreditation	88,000
Tradename	57,500
Goodwill	198,516
Net assets	$ 417,172

The following unaudited pro forma financial information presents the results of operations of Corinthian Colleges, Inc. and Heald as if the acquisition had occurred at the beginning of each period presented. Included within revenue and net income within the Consolidated Statement of Operations for the year-ended June 30, 2010 is $121.0 million and $8.1 million, respectively. The pro forma information is based on historical results of operations and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined enterprises (dollars in thousands except for per share amounts):

	Year-ended June 30	
	2010 Unaudited	2009 Unaudited
Revenues	$ 1,863,361	$ 1,459,622
Income from Continuing Operations	249,501	117,835
Net income	150,425	69,176
Earnings per Share:		
Basic	$ 1.72	$ 0.80

Diluted	$	1.70	$	0.79

The Heald acquisition yielded a $10.3 million intangible asset related to student relationships with a useful life of twelve months with actual amortization beginning January 4, 2010 and completing December 31, 2010. The student relationship is amortized on a straight-line basis and included within educational services within the Consolidated Statement of Operations. The actual results for the year-ended June 30, 2010 contain student relationship amortization of $5.2 million. Included within the pro forma information presented within operating income is student relationship amortization of $5.1 million and $10.3 million for years-ended June 30, 2010 and 2009, respectively.

Included within working capital at the date of acquisition was cash of $20.9 million and accounts receivable of $4.6 million, net of an allowance for doubtful accounts of $6.1 million.

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Included within pro forma net income for the year-ended June 30, 2009 is a gain of $5.5 million net of tax related to the refinancing of debt by Heald which has been included within other income.

Fiscal 2008

Effective February 29, 2008 the Company completed the sale of its 12 Canadian schools located outside the province of Ontario to a wholly-owned subsidiary of the Eminata Group, for a cash payment of CAD $3.0 million. This payment consisted of the purchase price of CAD $7.4 million less preliminary negative working capital and other adjustments equal to CAD $4.4 million. This cash payment was subject to a final working capital adjustment that was finalized during the third quarter of fiscal 2009. The final working capital adjustment resulted in a payment to the buyer of $0.1 million.

Effective May 1, 2008, the Company completed the sale of its WyoTech Boston campus. The transaction was subject to a final working capital adjustment that was finalized during the third quarter of fiscal 2009. The final working capital adjustment resulted in a payment to the buyer of $0.1 million.

Note 6 Long-Term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations consist of the following:

	June 30, 2010	June 30, 2009
	(In thousands)	
Credit facility obligations, with interest at 4.2% per annum	$ 284,280	$ 13,895
Mortgage facility obligations, with interest at 4.0% per annum	15,818	
Capital lease obligations	14,161	14,663
	314,259	28,558
Less current portion of credit facility obligations	(730)	
Less current portion of capital lease obligations	(525)	(474)
	$ 313,004	$ 28,084

The Company leases certain facilities under capital leases, which require monthly lease payments of approximately $0.2 million. The leases have interest rates ranging from 7.6% to 11.7% and expire through January 2027.

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Principal payments due under the long-term debt arrangements and future minimum lease payments under the capital lease obligations discussed above are as follows:

Fiscal Years Ending June 30,	Capital Lease Obligations	Credit Facility Obligations	Total
		(In thousands)	
2011	$ 1,996	$ 730	$ 2,726
2012	2,041	15,088	17,129
2013	2,055	284,280	286,335
2014	2,070		2,070
2015	2,070		2,070
Thereafter	14,827		14,827
	25,059	300,098	325,157
Less portion representing interest	(10,898)		(10,898)
Present value of minimum lease payments	14,161	300,098	314,259
Less current portion	(525)	(730)	(1,255)
Total	$ 13,636	$ 299,368	$ 313,004

On September 30, 2009, the Company entered into a Third Amended and Restated Credit Agreement (the Credit Facility) with aggregate borrowing capacity of $280 million, of which $260 million was a domestic facility and $20 million, was a Canadian facility. On February 22, 2010, the Company increased by $35 million the aggregate capacity under the Credit Facility. The aggregate borrowing capacity under the Credit Facility is now $315 million, of which $295 million is a domestic facility and $20 million, is a Canadian facility. The Credit Facility expires on October 1, 2012. The Credit Facility has been established to provide available funds for acquisitions, to fund general corporate purposes, and to provide for letters of credit issuances of up to $50 million for domestic letters of credit and $15 million for Canadian letters of credit. Borrowings under the agreement bear interest at several pricing alternatives available to us, including Eurodollar and adjusted reference or base rates. The domestic base rate is defined as the higher of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the Bank of America prime rate, or (c) the one-month Eurodollar Rate plus 1.00%. The Canadian base rate is defined as the higher of (a) the average rate for 30 day Canadian Dollar bankers acceptances plus 3/4 of 1%, (b) the Bank of America Canada prime rate or (c) the one-month Eurodollar Rate plus 1.00%. The agreement contains customary affirmative and negative covenants including financial covenants requiring the maintenance of consolidated net worth, fixed charge coverage ratios, leverage ratios, and a U.S. Department of Education (ED) financial responsibility composite score ratio. As of June 30, 2010, the Company was in compliance with all of the covenants. As of June 30, 2010, the credit facility had borrowings outstanding of $284.3 million and approximately $26.3 million to support standby letters of credit. A $15.8 million letter of credit was released in July 2010. The third amended and restated credit agreement is secured by the stock of the Company s significant operating subsidiaries and it is guaranteed by the Company s present and future significant operating subsidiaries. Average daily borrowings outstanding amounted to $57.8 million in fiscal 2010, $25.1 million in fiscal 2009 and $31.8 million in fiscal 2008.

Long-term debt also includes a term loan credit facility (the Mortgage Facility) dated March 24, 2009 between the Company s wholly-owned subsidiary, Heald Real Estate, LLC (Heald Real Estate), and Bank of America, N.A. (B of A) that is secured by real estate of Heald Real Estate and guaranteed by Heald Capital, LLC and Heald Education, LLC (the Heald Guarantors). On January 4, 2010, Heald Real Estate, the Heald Guarantors and B of A entered into an amendment and waiver to the Mortgage Facility (the 1st Amendment and Waiver), pursuant to which B of A waived compliance with all covenants and defaults under the Mortgage Facility except for the requirement that Heald Real Estate continue making regularly scheduled payments under the Mortgage Facility. Also on January 4, 2010, Corinthian entered into a Continuing and Unconditional Guaranty to guarantee the obligations of Heald Real Estate under the Mortgage Facility. The parties also agreed that any defaults under Corinthian s syndicated Third Amended and Restated Credit Agreement (the Credit Facility) will constitute a default under the Mortgage

Facility. On March 31, 2010, Heald Real Estate, entered into an Amended and Restated Credit Agreement (the Amended Heald Credit Agreement) with B of A as administrative agent for the lenders, and each lender from time to time party thereto. Pursuant to the terms of the Amended Heald Credit Agreement, the parties amended and restated the covenants and default provisions under the Mortgage Facility to substantially parallel those provisions in the Company s Credit Facility. All other material provisions of the Mortgage Facility remained substantially unchanged. As a condition precedent to the effectiveness of the Amended Heald Credit Agreement, Bank of the West agreed to assume approximately $8 million, and Heald Real Estate prepaid approximately $7 million, of the loans outstanding under the Mortgage Facility. The total outstanding principal and interest under the Amended Heald Credit Agreement as of June 30, 2010 was approximately $15.8 million. The outstanding term loans under the Amended Heald Credit Agreement bear interest, at Heald Real Estate s option, either (a) at the Base Rate (as defined in the Amended Heald Credit Agreement) or

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) at the Eurodollar Rate (as defined in the Amended Heald Credit Agreement) for the applicable interest period plus 3.00% per annum. The minimum interest rate is 4.00% per annum. The Amended Heald Credit Agreement matures on March 24, 2012. The Amended Heald Credit Agreement has a related fixed interest rate swap agreement with B of A that is guaranteed by the Heald Guarantors and secured by the same collateral that secures the Amended Heald Credit Agreement. The fair value of the fixed interest rate swap is not material at June 30, 2010.

Note 7 Common Stockholders Equity

Preferred Stock

The Company is authorized to issue 500,000 shares of preferred stock. As of June 30, 2010 and 2009, there were no outstanding shares of preferred stock.

Common Stock

The Company s issued and outstanding common stock is entitled to one vote per share on all matters.

Effective November 20, 2003, the Company amended and restated its certificate of incorporation to increase the number of authorized shares of common stock with a par value of $0.0001 per share to a total of 120,000,000 shares.

Employee Stock Purchase Plan

In August 2000, the Company adopted the Corinthian Colleges, Inc. Employee Stock Purchase Plan (ESPP). Under the terms of the ESPP, eligible employees, as defined by the plan to include such criteria as length of employment, are permitted to purchase shares of common stock at a price equal to 90% of the fair market value on the first or last day, whichever is lower, of each six month offering period. A total of 2,000,000 shares of common stock were initially reserved for sale under the ESPP. At June 30, 2010, employees had purchased 664,448 shares and 1,335,552 shares were still available for purchase under the ESPP.

Stock Options and Restricted Stock Units (RSUs)

The Company maintains the Corinthian Colleges, Inc. 1998 Performance Award Plan, as amended, (the 1998 Plan), which has been approved by the Company s stockholders. On November 20, 2003, the Company s stockholders approved the Company s 2003 Performance Award Plan, an amendment and restatement of which approved by the Company s stockholders on November 17, 2005 (as amended and restated, the 2003 Plan), which authorized the issuance by the Company of up to the sum of (a) 11,300,000 additional shares of the Company s Common Stock, plus (b) the number of any shares subject to stock options granted under the 1998 Plan which expire or for any reason are cancelled or terminated without being exercised after the adoption of the 2003 Plan, plus (c) the number of any shares subject to stock options granted under the 2004 Plan which expire or for any reason are cancelled or terminated without being exercised after the termination of the 2004 Plan. When the 2003 Plan was approved by the Company s stockholders, the Company s ability to grant new awards under the 1998 Plan terminated, but did not affect awards then outstanding under the 1998 Plan. On November 17, 2004, the Company s Board of Directors also approved the Company s 2004 New Hire Plan (the 2004 Plan) (the 1998 Plan, the 2003 Plan and the 2004 Plan are collectively referred to as the Plans), which authorized the issuance of up to 265,000 additional shares of the Company s Common Stock, but only as an inducement material to the award recipient s entering into employment with the Company and only if the recipient was not previously an employee or director of the Company (or following a bona fide period of non-employment). When the 2003 Plan amendment and restatement was approved in November 2005, a resolution was passed by the Board of Directors that terminated the Company s ability to grant new awards under the 2004 Plan, but did not affect awards then outstanding under the 2004 Plan.

As of June 30, 2010, the number of stock options, stock units, stock appreciation rights or other common stock-based securities available for future grant to directors, officers, employees and other eligible persons were 1,664,992 under the 2003 Plan. Options granted under the Plans were issued at exercise prices ranging from $1.56 $33.83 per share and have expiration dates not longer than 10 years. RSUs can be settled only by delivery of the Company s Common Stock. Options and RSUs generally vest over a period of one to four years.

In December 2004, the FASB issued accounting guidance that requires companies to measure all employee stock-based compensation awards using a fair value method and record such expense in its consolidated financial statements. In addition, the guidance requires additional accounting and disclosure related to the income tax and cash flow effects resulting from share-based payment arrangements, beginning as of the first interim or annual reporting period beginning after June 15, 2005. Accordingly, the Company adopted this guidance during the first quarter of fiscal 2006 in accordance with the modified-prospective-transition method and began recognizing compensation expense for stock options which vested during the year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table. Expected volatilities are based on combining and weighting implied market volatilities and the Company s historical volatility. The Company uses historical data to estimate forfeitures and years until exercise within the valuation model. The Company s estimate of forfeitures is adjusted if actual forfeitures differ from its estimates, resulting in the recognition of compensation costs only for those awards that actually vest. If factors change and different assumptions are employed in future periods, the stock-based compensation expense that the Company records may differ from what was recorded in the previous period.

The expected life of options granted represents the period of time for which the options are expected to be outstanding. The risk-free interest rate is derived from the U.S. treasury yield curve in effect at the date of grant. The Company s policy is not to pay cash dividends on its common stock. Consequently, the Company uses an expected dividend yield of zero in the Black-Scholes option pricing model.

	Fiscal Year Ended June 30,		
	2010	2009	2008
Risk-free rate	2.4%	3.0%	4.1%
Expected years until exercise	4.7 years	4.9 years	4.4 years
Expected stock volatility	48.2%	53.4%	41%
Expected forfeiture rate	16.8%	15.9%	9.4%
Expected dividends	$	$	$

A summary of the status of the Company s stock options is presented below:

Options	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding at July 1, 2009	10,003	$ 15.00		
Stock options granted during the year	1,417	$ 18.47		
Stock options exercised	(845)	$ 10.43		
Forfeitures or expired	(258)	$ 19.87		
Outstanding at June 30, 2010	10,317	$ 15.73	4.1	$ 1,218
Exercisable at June 30, 2010	6,418	$ 15.96	3.4	$ 1,212

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company s closing stock price of $9.85 as of the end of fiscal 2010, which would have been received by the option holders had all option holders exercised their options as of that date. As of the date of exercise, the total intrinsic value of options exercised in fiscal 2010, 2009, and 2008 was $6.6 million, $15.9 million, and $2.4 million, respectively.

The weighted-average fair value of stock options granted during fiscal 2010, 2009, and 2008 was $8.02, $6.52, and $5.49 per share, respectively.

As of June 30, 2010, there was $20.3 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted. That cost is expected to be recognized over a weighted-average period of 2.05 years. The total fair value of shares vested during fiscal year fiscal 2010, 2009, and 2008, was $ 13.7 million, $11.4 million and $11.2 million, respectively.

During fiscal year 2010, the Company issued 844,801 shares in connection with the exercise of stock options. The stock options exercisable at June 30, 2010, 2009, and 2008 were 6,417,778, 5,991,878, and 6,671,097 respectively.

During fiscal 2010, the Company granted 284,028 RSUs with a weighted average fair value of $18.45. As of June 30, 2010, there were 477,020 RSUs outstanding.

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Shares Reserved for Future Issuance

At June 30, 2010, the Company has reserved the following shares of its Common Stock for issuance upon conversion of the issued and outstanding shares of the ESPP and future issuances of stock options under the 2003 Plan (in thousands):

	Fiscal Year Ended June 30, 2010 (in thousands)
Reserved for ESPP stock	1,336
Reserved for stock options and RSUs outstanding and available for grant	1,665
Total	3,001

Note 8 Weighted Average Number of Common Shares Outstanding

Basic net income per share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the assumed conversion of all dilutive securities, consisting of stock options and restricted stock units.

The table below reflects the calculation of the weighted average number of common shares outstanding used in computing basic and diluted net income per common share:

	Fiscal Years Ended June 30,		
	2010	2009	2008
	(In thousands)		
Basic common shares outstanding	87,696	86,121	84,954
Effects of dilutive securities:			
Stock options and restricted stock units	1,011	1,396	1,059
Diluted common shares outstanding	88,707	87,517	86,013

On October 31, 2006, the Company s Board of Directors approved a share repurchase of up to $50 million of the Company s common stock. From November 2006 through May 2007, the Company purchased 2,256,638 shares at a total cost of $31.4 million (an average share price of $13.90 per share). No shares were repurchased in fiscal years 2010, 2009 or 2008.

Note 9 Income Taxes

The components of the income tax provision from continuing operations are as follows:

	Fiscal Years Ended June 30,		
	2010	2009	2008
	(In thousands)		
Current provision			

Federal	$ 102,471	$ 46,337	$ 24,881
State	16,423	9,040	1,399
	118,894	55,377	26,280
Deferred provision			
Federal	(24,462)	(7,890)	(11,222)
State	(2,244)	(1,783)	(2,371)
Foreign	3,145	311	2,192
	(23,561)	(9,362)	(11,401)
Total provision for income taxes	$ 95,333	$ 46,015	$ 14,879

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Actual income tax provision differs from the income tax provision from continuing operations computed by applying the U.S. federal statutory tax rate of 35% for fiscal 2010, 2009 and 2008 to income before provision for income taxes as follows:

	Fiscal Years Ended June 30,		
	2010	2009	2008
		(In thousands)	
Provision at the statutory rate	$ 84,456	$ 41,000	$ 16,710
State income tax provision, net of federal benefit	9,132	4,579	1,684
Change in unrecognized tax benefits	128	97	(1,895)
State credit refund			(2,862)
Foreign taxes	(132)	(37)	216
Other	1,749	376	1,026
	$ 95,333	$ 46,015	$ 14,879

The components of the Company s deferred tax asset and liability are as follows:

	As of June 30,	
	2010	2009
	(In thousands)	
Current deferred tax asset (liability):		
Accounts receivable allowance for doubtful accounts	$ 12,948	$ 10,655
Accrued vacation	8,129	5,488
State taxes	4,306	1,605
Net operating loss carry forwards		250
Workers compensation accrual	1,649	1,425
Other	4,629	2,037
Bonus accrual	15,930	10,909
Current deferred tax asset	47,591	32,369
Non-current deferred tax asset (liability):		
Deferred rent	515	696
Depreciation	2,673	3,503
Acquisition intangibles	(144)	(189)
Capital assets		(161)
Non-current deferred tax asset	3,044	3,849
Notes receivable allowance for doubtful accounts	16,324	9,745
Stock compensation cost	11,932	8,567
Deferred rent	5,389	7,160
Accrued rent	9,111	5,315
Depreciation	(13,766)	(18,922)
Acquisition intangibles	(38,625)	(16,053)
Capital assets	(14,754)	(11,736)
Other	1,781	1,002

Non-current deferred tax liability	(22,608)	(14,922)
Net Deferred Tax Asset	$ 28,027	$ 21,296

The Company has acquired various companies which had net operating loss carryovers at acquisition. As of June 30, 2010, substantially all of the federal and state net operating loss carry forwards had been fully utilized. During fiscal 2010, the Company utilized its remaining Canadian non-capital loss carryovers.

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company s current intent is to re-invest in Canada all earnings from Everest Canada. Accordingly, no deferred taxes have been provided on the Canadian un-remitted earnings.

The Company has tax deductible goodwill in the amount of $179.5 million as of June 30, 2010. During fiscal 2010, 2009 and 2008, $233.8 million, $115.4 million and $42.1 million, respectively, of the Company s income from continuing operations was generated in the United States.

The Company has adopted the recognition and measurement principles related to tax benefits under ASC 740. Under the standard, the Company employs a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. The cumulative effects of applying this standard has been recorded as a decrease of $2.4 million to retained earnings, an increase of $21.1 million to the net deferred income tax asset and an increase of $23.5 million to income taxes payable as of July 1, 2007.

The Company has classified uncertain tax positions as non-current income tax liabilities unless expected to be paid in one year. The Company reports income tax-related interest expense and penalties in income tax expense in its Consolidated Statement of Operations. During fiscal 2008, as a result of the settlement of an IRS examination and the filing of a tax accounting method change related to the depreciation on leasehold improvements, the Company reversed $3.5 million of interest on uncertain tax positions. As of June 30, 2010 and 2009, the total amount of accrued income tax-related interest and penalties included in the Consolidated Statement of Financial Position was $0.4 million and $0.3 million, respectively.

During the third quarter of fiscal 2008, the Company settled and closed the IRS examination related to fiscal years 2005 and 2006. The result was a tax payment of less than $0.1 million for 2005 and a refund of taxes for 2006 of $0.3 million. During the second quarter of fiscal 2008, the Company settled and closed the IRS examination related to fiscal 2004 in the amount of $0.7 million, excluding accrued interest of $0.2 million. The Company is also subject to examination in various state and foreign jurisdictions for the 2004-2009 tax years. During June 2010, the IRS contacted the Company regarding an examination of fiscal 2008 and 2009. The Company believes it has adequately provided for the tax obligations related to these years.

As of June 30, 2010, 2009, and 2008 the total amount of unrecognized tax benefits was $3.4 million, $0.7 million, and $3.1 million, respectively. As of June 30, 2010, 2009, and 2008, the total amount of unrecognized tax benefits that would affect the effective tax rate, if recognized is $2.7 million, $0.4 million, and $0.4 million, respectively. The amount of unrecognized tax benefits that are expected to be settled within the next twelve months is approximately $2.0 million.

The following table summarizes the activity related to our unrecognized tax benefits (in thousands):

	Fiscal years ended June 30,		
	2010	2009	2008
Balances at beginning of year	$ 658	$ 3,076	$ 20,988
Increase (decrease) in unrecognized tax benefits	2,779	(2,468)	(17,912)
Other		50	
Balances at end of year	$ 3,437	$ 658	$ 3,076

Excluding the benefit of the reversal of interest on uncertain tax positions in fiscal 2008, the Company s effective rate from continuing operations for fiscal 2008 would have been 35.9%.

Note 10 Impairment, Facility Closing, and Severance Charges

There were no impairment charges in fiscal 2010. In fiscal 2009, the Company incurred impairment and severance charges of $4.4 million. Of that amount, approximately $2.5 million is related to a loss on student loan receivables associated with the Marietta and Jonesboro, Georgia campuses. These schools were branches of the Atlanta, Georgia campus during a portion of the previous fiscal year. Due to accreditation issues, the Atlanta campus was closed during fiscal 2008 and placed in discontinued operations. In addition, the Company recorded a severance charge of $1.9 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In the fourth quarter of fiscal 2008, the Company incurred impairment, facility closing and severance charges of $6.6 million. Of that amount, approximately $4.8 million is related to a loss on student loan receivables associated with the Marietta and Jonesboro, Georgia campuses. These schools were branches of the Atlanta, Georgia campus. Due to accreditation issues, the Atlanta campus was closed and placed in discontinued operations. In addition, the Company recorded lease termination costs of $0.9 million related to student housing and a severance charge of $0.9 million.

The components of the charges and the related balance sheet accounts for fiscal year 2010 and 2009 were as follows (in thousands):

	Receivables Write-off	Severance and Benefits	Facility Related	Total
Balance at June 30, 2008	$	$ 209	$ 2,041	$ 2,250
Charges	2,500	1,878		4,378
Adjustments			(66)	(66)
Cash payments		(1,393)	(858)	(2,251)
Asset writedowns	(2,500)			(2,500)
Balance at June 30, 2009	$	$ 694	$ 1,117	$ 1,811
Adjustments*			859	859
Cash payments		(694)	(746)	(1,440)
Balance at June 30, 2010	$	$	$ 1,230	$ 1,230

* During the prior year the amount was included within discontinued operations as a liability held for sale.

Note 11 Commitments and Contingencies

Leases

The Company leases most of its operating facilities and certain equipment under non-cancelable operating leases expiring at various dates through 2027. In most cases, the facility leases require the Company to pay various operating expenses of the facilities in addition to base monthly lease payments. In certain cases, the Company has renewable options and or leases containing ordinary rental escalations on the space. Future minimum lease payments under operating leases are as follows for the twelve months ending June 30:

	Operating Leases (In thousands)
2011	$ 98,750
2012	91,764
2013	83,522
2014	70,668
2015	57,556

Thereafter		233,593
	$	635,853

Lease expense (facility and equipment) for the fiscal years ended June 30, 2010, 2009 and 2008 amounted to $86.4 million, $75.5 million and $73.5 million, respectively, and is reflected in educational services and general and administrative expense in the accompanying Consolidated Statements of Operations.

Legal Matters

In the ordinary conduct of its business, the Company and its subsidiaries are subject to lawsuits, demands in arbitration, investigations and other claims, including, but not limited to, lawsuits and claims involving current and former students, employment-related matters, business disputes and regulatory demands. In some of the lawsuits and arbitrations pending against the Company, including matters not presently deemed to be material and which are not disclosed below, the plaintiffs seek certification of the matter as a class action in order to represent other similarly-situated persons. Except as disclosed

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

below, none of the matters currently pending against the Company in which plaintiffs seek class certification has yet been certified as a class action. When the Company is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the Company records a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved is material. There can be no assurance that the ultimate outcome of any of the matters threatened or pending against the Company, including those disclosed below, will not have a material adverse effect on the Company s financial condition or results of operations.

Between July 21, 2004 and July 23, 2004, two derivative actions captioned *Collet, Derivatively on behalf of Corinthian Colleges, Inc., v. David Moore, et al.,* and *Davila, Derivatively on behalf of Corinthian Colleges, Inc., v. David Moore, et al.*, were filed in the Orange County California Superior Court against David Moore, Dennis Beal, Dennis Devereux, Beth Wilson, Mary Barry, Stan Mortensen, Bruce Deyong, Loyal Wilson, Jack Massimino, Linda Skladany, Paul St. Pierre, Michael Berry, and Anthony Digiovanni, and against the Company as a nominal defendant. Each individual defendant is one of the Company s current or former officers and/or directors. The lawsuits allege breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, unjust enrichment, and violations of the California corporations code, essentially based on the same allegations of conduct complained of in the initial federal securities class action complaints filed at the same time. The *Collet* and *Davila* cases have now been consolidated into one action. A memorandum of understanding was executed by the parties resolving these cases, pending court approval, for an immaterial amount of attorneys fees to be paid by the Company s directors and officers insurance carrier to the plaintiffs lawyers, and with the Company agreeing to certain corporate governance matters. On October 29, 2009, the Court denied the parties motion for approval of the settlement, but the parties continue to explore avenues to resolve this matter.

On October 3, 2007, the Company was notified that a *qui tam* action had been filed in the U.S. District Court for the Central District of California by a former employee (the relator) on behalf of himself and the federal government. The case is captioned *United States of America, ex rel. Steven Fuhr v. Corinthian Colleges, Inc*. The Company subsequently learned of two other *qui tam* actions filed against the Company captioned *United States of America, ex rel. Nyoka Lee and Talala Mshuja v. Corinthian Colleges, Inc., et al*., and *United States of America, ex rel. Stephen Backhus v. Corinthian Colleges, Inc., et al*., filed in the United States District Courts for the Central District of California and the Middle District of Florida, respectively. These *qui tam* actions allege violations of the False Claims Act, 31 U.S.C. § 3729-33, by the Company for allegedly causing false claims to be paid, or allegedly using false statements to get claims paid or approved by the federal government, because of alleged Company violations of the Higher Education Act (the HEA) regarding the manner in which admissions personnel are compensated. The *Lee* complaint also alleges causes of action for common law fraud, unjust enrichment and payment under mistake of fact against the Company, Ernst & Young LLP (the Company s Independent Registered Public Accounting Firm), and David Moore, Jack Massimino, Paul St. Pierre, Alice Kane, Linda Skladany, Hank Adler and Terry Hartshorn (all of whom are current or former directors of the Company). On March 4, 2009, the Company received written notices that the U.S. Department of Justice had declined to intervene in, or take over, these *qui tam* actions, and the United States District Courts in which the cases were filed unsealed the complaints. Although the government declined to intervene in these actions, the relators may continue to pursue the litigation on behalf of the federal government and, if successful, receive a portion of the federal government s recovery. Additionally, upon a showing of good cause, the government has the right to intervene in the actions at a later time. The *Backhus* complaint has since been voluntarily dismissed and, on August 3, 2009, the U.S. District Court issued an order dismissing the *Fuhr* complaint with prejudice. That dismissal was appealed, but has since been voluntarily abandoned and dismissed by the relator in that case. The *Lee* complaint was dismissed with prejudice by the U.S. District Court on December 4, 2009. The *Lee* dismissal was also appealed. The Company believes these complaints are without merit and intends to defend itself and its current and former directors vigorously in these matters.

On May 28, 2008, a putative class action demand in arbitration captioned *Rivera v. Sequoia Education, Inc. and Corinthian Colleges, Inc*. was filed with the American Arbitration Association. The plaintiffs are nine current or former HVAC students from the Company s WyoTech Fremont campus. The arbitration demand alleges violations of California s Business and Professions Code Sections 17200 and 17500, fraud and intentional deceit, negligent misrepresentation, breach of contract and unjust enrichment/restitution, all related to alleged deficiencies and misrepresentations regarding the HVAC program at these campuses. The plaintiffs seek to certify a class composed of all HVAC students in the Company s WyoTech Fremont and WyoTech Oakland campuses over the prior four years, and seek recovery of compensatory and punitive damages, interest, restitution and attorneys fees and costs. The Company never operated any HVAC programs at the Company s WyoTech Oakland campus during its ownership of that campus. The Company believes the complaint is without merit and intends to vigorously defend itself against these allegations.

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On September 4, 2009, the Company was served with a petition filed in Dallas County District Court entitled *Miesha Daniels, et al. v. Rhodes Colleges, Inc., Rhodes Business Group, Inc., and Corinthian Colleges, Inc.* The petition names thirteen former students of three Dallas-area Everest campuses as plaintiffs and does not seek certification as a class action. The plaintiffs allege violations of Texas Deceptive Trade Practices and Consumer Protection Act, breach of contract and fraud related to alleged pre-enrollment representations regarding credit transfer, quality of education and outcomes. The plaintiffs seek recovery of compensatory and exemplary damages and attorneys fees. The action has been ordered to arbitration where individual arbitration demands have been filed. The plaintiffs attorneys have also informed us of nearly one hundred additional current or former students they claim to represent, and upon whose behalf they may file arbitration or litigation claims. The Company believes the allegations are without merit and intends to vigorously defend itself.

On November 17, 2008, an action captioned *Mary Credille and Roger Madden, on behalf of all similarly situated current and former employees, v. Corinthian Colleges et al.*, was filed in the U.S. District Court for the Northern District of Illinois. The two named plaintiffs are former employees of the Company s Chicago campus, and allege failure to receive proper compensation for all overtime hours allegedly worked in violation of the Fair Labor Standards Act. Plaintiff Credille has voluntarily dismissed her claims against the Company. On December 8, 2009, the Court granted Plaintiff Madden s motion to conditionally certify a collective action to include those current and former admissions representatives at the Company s Chicago campus who also satisfy additional requirements. It is unknown whether any, or how many, of the prospective participants, estimated to be around 50 current and former employees, will choose to opt in to participate in the lawsuit. To date, we are aware of only one additional former employee who has elected to opt in to the lawsuit. The Company intends to challenge the conditional certification at the second stage of the certification process. The Company believes the allegations are without merit and intends to vigorously defend itself.

On April 20, 2010, a putative class action complaint captioned *Reed, an individual, on behalf of himself and all others similarly situated v. Florida Metropolitan University, Inc. and Corinthian Colleges, Inc.* was filed in the District Court of Travis County, Texas. Florida Metropolitan University, Inc. is a wholly-owned subsidiary of the Company. Plaintiff purports to be a former student in the Company s Everest University Online operations. The complaint claims violations of Texas Education Code Sections 132.051(a) and 132.059(a) for alleged failure of Everest University Online to receive a Certificate of Approval or an exemption from the appropriate Texas state licensing bodies to offer online courses in the State of Texas and to register its admissions representatives with the State of Texas. The plaintiff seeks to certify a class composed of all persons who contracted to receive distance education from Everest University Online while residing in Texas, and seeks damages on behalf of such persons, pre- and post-judgment interest, declaratory and injunctive relief, cost of suit, and such other relief as the court deems proper. On July 26, 2010, the Court ordered the matter to binding arbitration. The Company believes the complaint is without merit and intends to defend itself and its subsidiary vigorously.

On December 17, 2009, an action captioned *Mancuso, on behalf of himself and all others similarly situated v. Florida Metropolitan University, Inc and Corinthian Colleges, Inc*, was filed in the U.S. District Court for the Southern District of Florida. The named plaintiff is an admissions representative of the Company s Pompano Beach campus, and alleges failure to receive proper compensation for all overtime hours allegedly worked in violation of the Fair Labor Standards Act. On June 24, 2010, the Court granted Plaintiff s motion to conditionally certify a collective action to include those current and former admissions representatives at the Company s Pompano Beach campus who also satisfy additional requirements. The plaintiff has also filed a motion requesting the Court to broaden the collective action from the Pompano campus to all admissions representatives at every campus nationwide. The Company is opposing this motion. It is unknown whether any, or how many, of the prospective participants will choose to opt in to participate in the lawsuit. The Company intends to challenge the conditional certification of the Pompano Beach campus at the second stage of the certification process. The Company believes the allegations are without merit and intends to defend itself vigorously.

In addition to the legal proceedings and other matters described above, the Company is or may become a party to pending or threatened lawsuits related primarily to services currently or formerly performed by the Company. Such cases and claims raise difficult and complex factual and legal issues and are subject to many uncertainties and complexities, including, but not limited to, class action certification, governmental intervention, regulatory or administrative agency involvement, the facts and circumstances of each particular case or claim, the jurisdiction in which each suit is brought, and differences in applicable statutory and common law.

As of June 30, 2010, the Company had established aggregate reserves for all of the matters disclosed above, as well as for those additional matters where the liabilities are probable and losses estimable but for which the Company does not believe the matters are reasonably likely to have a material impact on the results of operations or financial condition of the Company, which are immaterial to the Company s financial

position. The Company regularly evaluates the reasonableness of its accruals and makes any adjustments considered necessary. Due to the uncertainty of the outcome of litigation and claims,

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the Company is unable to make a reasonable estimate of the upper end of the range of potential liability for these matters. Upon resolution of any pending legal matters, the Company may incur charges in excess of presently established reserves. While any such charge could have a material adverse impact on the Company s results of operations in the period in which it is recorded or paid, management does not believe that any such charge would have a material adverse effect on the Company s financial position or liquidity.

Note 12 Employee Benefit Plans

The Company has established an employee savings plan under Section 401(k) of the Internal Revenue Code (the Plan). Employees classified as regular status as defined and who are regularly scheduled to work at least 30 hours per week (20 hours per week for instructors) are eligible to participate in the Plan beginning the first of the month following one month of employment. Company contributions begin the first of the month following 12 months of employment and 1,000 hours worked. Contributions to the plan by the Company are discretionary. The plan provides for vesting of Company contributions over a five-year period from the date of employment. Company contributions to the plan were approximately $7.1 million, $5.1 million and $3.6 million for the fiscal years ended June 30, 2010, 2009 and 2008, respectively.

Note 13 Governmental Regulation

The Company and each institution are subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, HEA, and the regulations promulgated thereunder by ED subject the institutions to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy in order to participate in the various federal student financial assistance programs under Title IV of the HEA.

To participate in the Title IV Programs, an institution must be authorized to offer its programs of instruction by the relevant agencies of the state in which it is located, accredited by an accrediting agency recognized by the ED and certified as eligible by the ED. The ED will certify an institution to participate in the Title IV Programs only after the institution has demonstrated compliance with the HEA and the ED s extensive regulations regarding institutional eligibility. An institution must also demonstrate its compliance to the ED on an ongoing basis. As of June 30, 2010, management believes the Company s institutions were in compliance with the applicable regulations in all material respects.

From time to time certain of the Company s institutions have been the subject of program reviews by ED. During the fourth quarter of fiscal 2008 and the first quarter of fiscal 2009, ED conducted site visits at the Company s campuses in Fremont, CA, Reseda, CA, Tampa, FL (including its additional locations in Orange Park and Brandon, FL and its online operations), Gardena, CA and the online division of Everest College Phoenix. Also, in July 2010, ED conducted a site visit at the Company s campus in Colorado Springs, CO, and, in August 2010, ED announced another site visit for the online operations of the Tampa, FL Campus. Site visits are the first step in the program review process. ED then prepares a program review report, the institution has the opportunity to respond, and ED issues a Final Program Review Determination, which may be appealed. The Company has received Final Determination letters regarding ED s program reviews at the Reseda, CA campus, the Gardena, CA campus, the Tampa campuses and the Tampa online operations (with respect to the first site visit in the first quarter of fiscal 2009), all of which contained no material adverse findings and imposed no fines, penalties, or other liabilities. The Company has not yet received a program review report with respect to the site visit at the Fremont, CA and Colorado Springs, CO campuses, or the announced, but not yet complete, site visit to the Tampa online operation.

In April 2010, the Company received ED s program review report (the Report) for Everest College Phoenix, including the online division and the two ground campuses in Phoenix and Mesa, AZ. Everest College Phoenix had a total of 5,774 students in these three operations as of June 30, 2010. The Report maintains that Everest College Phoenix has failed to make students aware of the total amounts of financial aid for which they were entitled, failed to accurately inform students of the program costs, and delayed disbursements of Title IV funds. The Report also contains findings regarding inadequate documentation, verification and availability of records for ED review, and the failure to make certain disbursements. In the Report, ED characterizes certain of these findings as misrepresentations by Everest College Phoenix to its students, as a breach of fiduciary duty and as evidencing an intentional evasion of the 90/10 requirements. The Company disagrees with these characterizations. The Company is in the process of conducting a factual investigation of the findings as well as responding to ED s requests for additional information with respect to certain of the findings. Based upon the Company s investigation and responses to date, we believe the Company has a reasonable basis to dispute certain of the findings. The Company has addressed the differences with respect to certain of the findings in an initial submission to ED, and it intends to address other findings in a subsequent submission to ED. The Company will continue to

cooperate fully with ED in its review.

ED will review the Company s response to the Report and ultimately will issue a Final Determination letter regarding the program review, setting forth its final findings as well as the action it intends to take based on those findings. If ED were to make significant findings of non-compliance in its Final Determination letter, it could result in the imposition of significant fines, penalties or other liabilities on Everest College Phoenix, including, without limitation, an action against Everest College Phoenix on the limitation, suspension or termination of its participation in Title IV programs, any of which could have a material adverse effect on the business, results of operations or financial condition. The Company is unable to predict when ED will complete its review, as program reviews may often take several months or years to reach final resolution.

The Company is continuing to cooperate with all of the outstanding program reviews. The Company does not believe that any of its currently pending program reviews with the ED are reasonably likely to have a material adverse effect on the Company. However, if the ED were to make significant findings of non-compliance by any of the Company s schools in any ongoing or future program review, it could have a material adverse effect on the business, results of operations or financial condition.

The HEA requires accrediting agencies to review many aspects of an institution s operations in order to ensure that the training offered is of sufficiently high quality to achieve satisfactory outcomes. Failure to demonstrate compliance with accrediting standards may result in the imposition of probation or show cause orders, or the requirements of periodic reports, and ultimately the loss of accreditation if deficiencies are not remediated.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

An accrediting agency probation or show cause order may be issued based upon the agency s concerns that an accredited institution may be out of compliance with one or more accrediting standards. Probation or show cause orders afford the institution the opportunity to respond before the institution loses accreditation. 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 probation or show cause order, continue the probation or 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. Institutions on probation or under show cause orders remain accredited while they are on probation. The institutions can continue to enroll new students, and students at the affected institutions remain eligible to receive federal student financial aid.

On May 1, 2009, the Company received notification from The Higher Learning Commission-A Commission of the North Central Association of Colleges and Schools (HLC) that Everest College Phoenix had been placed on probation. Everest College Phoenix consists of two ground campuses and an online learning division. On May 1, 2009, the Company s Everest College Phoenix received notification from HLC that it had been placed on probation. At June 30, 2010, the combined enrollment for Everest College Phoenix was 5,774 students, and combined revenue was approximately 5.8% of the Company s total net revenues for the fiscal year ended June 30, 2010. The probation action was initiated primarily related to governance issues and questions about the institutions autonomy with respect to Corinthian s ownership and control of the institution. The institution has made numerous changes to comply with HLC s accreditation criteria and is committed to continuing this process to resolve HLC s concerns. HLC indicated that the probationary process is a period during which it will verify that these changes have, in fact, occurred and effectively meet HLC s standards. On May 17-19, 2010, Everest College Phoenix hosted an HLC evaluation team to verify whether these changes have occurred and effectively meet HLC s standards. In its Report on a Comprehensive Evaluation Visit dated August 19, 2010, the evaluation team noted that while there have been some positive developments, deficiencies in the institution s compliance with HLC s accreditation criteria remained unresolved. The evaluation team concluded that adverse action by HLC was warranted, and recommended withdrawal of accreditation of Everest College Phoenix. The Company disagrees with these conclusions and intends to contest the Evaluation Team s report and recommendations before the Commission. The Company cannot predict the outcome of this matter with certainty. Since accreditation is required for an institution to be eligible to participate in the federal student financial aid programs, the failure by Everest College Phoenix to satisfactorily resolve its probation with HLC could have a material adverse effect on the business, results of operations and financial condition.

Political and budgetary concerns significantly affect the Title IV Programs. Congress must reauthorize the student financial assistance programs of the HEA approximately every five to six years, and the last reauthorization took place in 2008.

A significant component of Congress initiative to reduce abuse in the Title IV Programs has been the imposition of limitations on institutions whose former students default on the repayment of their federally guaranteed or funded student loans above specific rates (cohort default rate). Although the Company is not obligated to repay any of its students or former students defaults on payments of federally guaranteed student loans, if such default rates equal or exceed 25% for three consecutive years, the institution may lose participation eligibility in the guaranteed loan program and its students will be denied access to the federally guaranteed student loan programs. An institution whose cohort default rate under certain Title IV Programs for any federal fiscal year exceeds 40% may have its eligibility to participate in all of the Title IV Programs limited, suspended or terminated by the ED.

All institutions participating in the Title IV Programs must satisfy specific standards of financial responsibility. The ED evaluates institutions for compliance with these standards each year, based on the institution s annual audited financial statements and following a change of ownership of the institution.

The ED calculates the institution s composite score for financial responsibility based on its (i) equity ratio, which measures the institution s capital resources, ability to borrow and financial viability; (ii) primary reserve ratio, which measures the institution s ability to support current operations from expendable resources; and (iii) net income ratio, which measures the institution s ability to operate at a profit. An institution that does not meet the ED s minimum composite score may demonstrate its financial responsibility by posting a letter of credit in favor of the ED in an amount equal to at least 50% of the Title IV Program funds received by the institution during its prior fiscal year and possibly accepting other conditions on its participation in the Title IV Programs. At June 30, 2010, all of the Company s U.S. institutions and the Company on a consolidated basis satisfied each of the ED s standards of financial responsibility.

For fiscal 2010, the Company s calculations reflect that all of the Company s schools exceed the requirements for financial responsibility on an individual basis, with composite scores ranging from 1.5 to 3.0. For purposes of performing such calculations on an individual school basis, the Company makes certain allocations of corporate cash to the individual campuses. Also, the Company, on a consolidated basis, meets the requirements with a composite score of 1.7.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As required for regulatory reporting with ED, for fiscal 2010, approximately 81.9% of the Company s revenues (on a cash basis) were derived from federal Title IV programs. For fiscal 2010 the Company had $1,224.3 million of Title IV cash receipts and $271.4 of Non-Title IV cash receipts, each in the United States as calculated pursuant to ED regulations.

As of June 30, 2010, nine of the Company s colleges were on reporting to their respective accrediting agencies, primarily with respect to the completion, retention, 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. The Company is working to improve these retention and placement rates in the identified programs at these schools.

Because the Company operates in a highly regulated industry, it, like other industry participants, may be subject from time to time to investigations, claims of non-compliance, or lawsuits by governmental agencies or third parties, which allege statutory violations, regulatory infractions, or common law causes of action.

There can be no assurance that other regulatory agencies or third parties will not undertake investigations or make claims against the Company, or that such claims, if made, will not have a material adverse effect on the Company s business, results of operations or financial condition.

Note 14 Selected Quarterly Financial Summary (Unaudited)

	Fiscal Quarters				Fiscal
	First	Second	Third	Fourth	Year
	(In thousands, except per share amounts)				
Fiscal 2010					
Net revenues	$ 388,471	$ 414,308	$ 478,274	$ 482,744	$ 1,763,797
Income from operations	53,890	64,798	66,427	55,630	240,745
Net income	32,914	39,401	39,806	33,850	145,971
Income per share (1):					
Basic	$ 0.38	$ 0.45	$ 0.45	$ 0.38	$ 1.66
Diluted	$ 0.37	$ 0.44	$ 0.45	$ 0.38	$ 1.65
Fiscal 2009					
Net revenues	$ 289,581	$ 318,288	$ 346,443	$ 353,513	$ 1,307,825
Income from continuing operations	5,706	15,454	25,306	24,662	71,128
(Loss) from discontinued operations	(220)	(374)	(304)	(1,470)	(2,368)
Net income	5,486	15,080	25,002	23,192	68,760
Income per share (1):					
Basic	$ 0.06	$ 0.18	$ 0.29	$ 0.27	$ 0.80
Diluted	$ 0.06	$ 0.17	$ 0.28	$ 0.26	$ 0.79
Fiscal 2008					
Net revenues (2)	$ 244,467	$ 270,253	$ 279,918	$ 274,033	$ 1,068,671
Income from continuing operations (2)	4,319	9,527	14,255	4,764	32,865
(Loss) from discontinued operations (2)	(2,366)	(1,415)	(2,433)	(5,384)	(11,598)
Net income	1,953	8,112	11,822	(620)	21,267
Income per share (1):					
Basic	$ 0.02	$ 0.10	$ 0.14	$ 0.01	$ 0.25
Diluted	$ 0.02	$ 0.10	$ 0.14	$ 0.01	$ 0.25

(1) Basic and diluted earnings per share are calculated independently for each of the quarters presented. Accordingly, the sum of the quarterly earnings per share may not agree with the annual earnings per share amount for the corresponding year.

(2) Amounts prior to fourth quarter of 2008 reflected in the table above differ from previously filed quarterly reports. During the fourth quarter of 2008 the Company began to classify the results of operations related to specific campuses closed or held for sale as discontinued operations. See Note 2 Discontinued Operations of these notes to our consolidated financial statements for further discussion of the Company s discontinued operations.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15 Valuation and Qualifying Accounts

	Balance at Beginning of Year	Charged to Statement of Operations	Deductions	Balance at End of Year
	(In thousands)			
Allowance for doubtful accounts				
Accounts receivable:				
Year ended June 30, 2008	$ 22,721	$ 68,347	$ (51,759)	$ 39,309
Year ended June 30, 2009	39,309	111,723	(125,616)	25,416
Year ended June 30, 2010	25,416	96,565	(94,448)	27,533
Student notes receivable:				
Year ended June 30, 2008	$ 3,450	$ 5,640	$ (30)	$ 9,060
Year ended June 30, 2009	9,060	45,785	(25,667)	29,178
Year ended June 30, 2010	29,178	67,023	(35,366)	60,835

Note 16 Subsequent Events

The U.S. Department of Education surrendered and released a Heald College, LLC $15.8 million Standby Letter of Credit effective July 6, 2010.

The Board of Directors of Corinthian approved a stock repurchase program during July 2010 under which the Company may purchase up to $200 million of its common stock. The Board approved the stock repurchase plan because it believes the current and recent valuation of the Company s stock provides the opportunity for an attractive return on investment. The Company has not repurchased any shares of its common stock during the last twelve months.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report and concluded that those controls and procedures were effective.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control-Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of June 30, 2010. The effectiveness of internal control over financial reporting as of June 30, 2010 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

As of June 30, 2010 we excluded from our assessment of our effectiveness of the Company s internal control over financial reporting the internal controls of Heald, which was acquired by us on January 4, 2010. Heald is included in the 2010 consolidated financial statements of Corinthian Colleges, Inc. As of June 30, 2010, Heald constituted $89.1 million of total assets and $23.5 million of net assets, excluding intangible assets of $351.0 million. For the year ended June 30, 2010, Heald constituted $121.0 million and $8.1 million of revenue and net income, respectively. We will include the internal controls of Heald in our assessment of the effectiveness of our internal control over financial reporting for fiscal 2011.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2010 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only the reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Directors and Executive Officers

Certain information in response to this item is incorporated herein by reference to the Company s definitive Proxy Statement for the Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission not later than 120 days after June 30, 2010. Information regarding executive officers of the Company is set forth under the caption Executive Officers of the Registrant in Item 1 hereof.

Corporate Governance

We have adopted a code of ethics that applies to all of our executive officers and senior financial officers (including our chief executive officer, chief financial officer, chief accounting officer, and any person performing similar functions). This Code of Business Conduct and Ethics is available on our website at *http://www.cci.edu* under the heading Investor Relations.

ITEM 11. EXECUTIVE COMPENSATION

Information in response to this Item is incorporated herein by reference from the Company s definitive Proxy Statement for the Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission not later than 120 days after June 30, 2010.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information in response to this Item is incorporated herein by reference from the Company s definitive Proxy Statement for the Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission not later than 120 days after June 30, 2010.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information in response to this Item is incorporated herein by reference from the Company s definitive Proxy Statement for the Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission not later than 120 days after June 30, 2010.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required to be furnished by Item 9(e) of Schedule 14A of Regulation S-K will be included in the Company s 2010 Proxy Statement for the Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission not later than 120 days after June 30, 2010, and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Report:

1. Financial Statements

2. Financial Statement Schedules.

Our consolidated financial statements are included in Part II, Item 8, of this Form 10-K. All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require the submission of such schedules, or because the information required is included in the consolidated financial statements or the notes thereto.

3. Exhibits:

The exhibits listed in the accompanying Index to Exhibits are filed as part of this annual report.

CORINTHIAN COLLEGES, INC.

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibit	Incorporation Reference
2.1+	Securities Purchase and Sale Agreement, dated as of October 19, 2009, by and among the Company, Heald Capital, LLC, SP PE VII-B Heald Holdings Corp., SD III-B Heald Holdings Corp., the individuals and entities set forth on Exhibit A thereto and Heald Investment, LLC, as the Sellers Representative	(a)
3.1+	Amended and Restated Certificate of Incorporation	(b)
3.2+	Amended and Restated Bylaws of the Company	(c)
10.52+	1998 Performance Award Plan of the Company	(d)
10.53+	Executive Deferral Plan of the Company	(e)
10.54+	Form of Director Stock Option Agreement under the 2003 Performance Award Plan of the Company	(f)
10.55+	Form of Incentive Stock Option Agreement issued to executive officers under the 2003 Performance Award Plan of the Company	(g)
10.56+	Form of Restricted Stock Unit Award Agreement issued to executive officers under the 2003 Performance Award Plan of the Company	(h)
10.57+	2004 New-Hire Award Plan of the Company	(i)
10.58+	Form of Option Agreement under the 2004 New-Hire Award Plan of the Company	(j)
10.59+	Form of Restricted Stock Unit Award Agreement under the 2004 New-Hire Award Plan of the Company	(k)
10.60+	Amendment 2005-1 to the 2004 New-Hire Award Plan of the Company	(l)
10.61+	Third Amended and Restated Credit Agreement dated as of September 30, 2009, by and among the Company, Everest Colleges Canada, Inc., Bank of America, N.A., as Domestic Administrative Agent, Domestic Swing Line Lender and Domestic L/C Issuer, Bank of America, N.A., acting through its Canada Branch, as Canadian Administrative Agent, Canadian Swing Line Lender and Canadian L/C Issuer, U.S. Bank National Association, as Syndication Agent, Union Bank, N.A, as Documentation Agent, and each Lender from time to time party thereto. Banc of America Securities LLC and U.S. Bank National Association acted as Joint Lead Arrangers and Joint Book Managers	(m)
10.62+	Form of Lock-Up Agreement between the Company and each of the officers of the Company with the title of Division President, Vice President, Senior Vice President, Executive Vice President, Chief Executive Officer or Chairman of the Board, each entered into as of June 30, 2006	(n)
10.63	Description of Compensation Arrangements with Non-Employee Members of the Company s Board of Directors	
10.64+	Form of Stock Option Agreement Amendment between the Company and each of its Directors	(o)

Exhibit Number	Description of Exhibit	Incorporation Reference
10.65+	2003 Performance Award Plan of the Company, as amended and restated	(p)
10.66+	Form of Non-Qualified Stock Option Agreement issued to certain executive officers under the 2003 Performance Award Plan	(q)
10.67+	Form of Employment Agreement amended and restated as of August 21, 2007, by and between the Company and Jack D. Massimino	(r)
10.68+	Form of performance-related Nonqualified Stock Option Agreement to be entered into between the Company and Jack D. Massimino under the 2003 Performance Award Plan	(s)
10.69+	Form of Restricted Stock Unit Award Agreement under the 2003 Performance Award Plan of the Company	(t)
10.70+	Form of Director Stock Unit Award Notice under the 2003 Performance Award Plan of the Company	(u)
10.71+	Form of Employment Agreement amended and restated as of March 17, 2008, by and between the Company and each of Peter Waller, Kenneth Ord, Beth Wilson and Mark Pelesh	(v)
10.72+	Form of Executive Bonus Plan under the 2003 Performance Award Plan of the Company by and between the Company and certain of its executive officers	(w)
10.73+	Form of Executive Bonus Plan Schedule under the 2003 Performance Award Plan of the Company by and between the Company and certain of its executive officers	(x)
10.74+	Deferred Compensation Plan of the Company	(y)
10.75+	Form of Employment Agreement between the Company and certain of its officers, including Matthew Ouimet, the Company s President and Chief Operating Officer	(z)
10.76+	Amended and Restated Credit Agreement, dated as of March 31, 2010, by and among Heald Real Estate, LLC, as the borrower, the Company, as the parent, and each other Guarantor party thereto, each lender from time to time party thereto and Bank of America, N.A., as administrative agent for the lenders	(aa)
10.77+	Continuing and Unconditional Guaranty executed by the Company on January 4, 2010	(bb)
21.1	List of Subsidiaries	
23.1	Consent of Independent Registered Public Accounting Firm	
24.1	Power of Attorney (see signature page)	
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
32.1	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

+ Previously filed with the Securities and Exchange Commission as set forth in the following table:

(a) Incorporated by reference to Exhibit 2.1 of the Report on Form 8-K filed with the Securities and Exchange Commission on October 20, 2009.

(b) Incorporated by reference to Appendix A of the Company s Proxy Statement (Commission File No. 000-25283) filed with the Securities and Exchange Commission pursuant to Section 14(a) of the Exchange Act on October 8, 2008.

(c) Incorporated by reference to Exhibit 3.2 of the Report on Form 8-K as filed with the Securities and Exchange Commission on August 21, 2008.

(d) Incorporated by reference to the like-numbered exhibit of the Company s Registration Statement on Form S-1 (Registration No. 333-59505), as filed with the Securities and Exchange Commission on July 21, 1998.

(e) Incorporated by reference to Exhibit 4 of the Company s Form S-8 filed with the Securities and Exchange Commission on August 3, 2004.

(f) Incorporated by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 11, 2004.

(g) Incorporated by Reference to Exhibit 10.2 of the Company s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 11, 2004.

(h) Incorporated by Reference to Exhibit 10.3 of the Company s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 11, 2004.

(i) Incorporated by Reference to Exhibit 10.2 of the Report on Form 8-K filed with the Securities and Exchange Commission on November 22, 2004.

(j) Incorporated by Reference to Exhibit 10.2.1 of the Report on Form 8-K filed with the Securities and Exchange Commission on November 22, 2004.

(k) Incorporated by Reference to Exhibit 10.2.2 of the Report on Form 8-K filed with the Securities and Exchange Commission on November 22, 2004.

(l) Incorporated by Reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.

(m) Incorporated by Reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2009.

(n) Incorporated by Reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2005.

(o) Incorporated by Reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission on September 6, 2005.

(p) Incorporated by Reference as Appendix A to the Company s Proxy Statement (Commission File No. 000-25283) filed with the Securities and Exchange Commission pursuant to Section 14(a) of the Exchange Act on October 14, 2005.

(q) Incorporated by Reference to the like-numbered exhibit of the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on November 28, 2006.

(r) Incorporated by Reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2007.

(s) Incorporated by Reference to Exhibit 10.2 of the Report on Form 8-K filed with the Securities and Exchange Commission on August 27, 2007.

(t) Incorporated by Reference to Exhibit 10.75 of the Report on Form 10-K filed with the Securities and Exchange Commission on August 29, 2007.

(u) Incorporated by Reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission on January 29, 2008.

(v) Incorporated by Reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission on March 21, 2008.

(w) Incorporated by Reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission on July 6, 2010.

(x) Incorporated by Reference to Exhibit 10.2 of the Report on Form 8-K filed with the Securities and Exchange Commission on July 6, 2010.

(y) Incorporated by reference to Exhibit 10.74 of the Report on Form 10-K filed with the Securities and Exchange Commission on August 26, 2009.

(z) Incorporated by reference to Exhibit 10.75 of the Report on Form 10-K filed with the Securities and Exchange Commission on August 26, 2009.

(aa) Incorporated by reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission on April 6, 2010.

(bb) Incorporated by reference to Exhibit 10.3 of the Report on Form 8-K filed with the Securities and Exchange Commission on January 5, 2010.

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SIGNATURES AND POWER OF ATTORNEY

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORINTHIAN COLLEGES, INC.

By:	/s/ PETER C. WALLER **Peter C. Waller** **Chief Executive Officer,** **(Principal Executive Officer)** **August 20, 2010**	By:	/s/ KENNETH S. ORD **Kenneth S. Ord** **Executive Vice President and Chief** **Financial Officer** **(Principal Financial Officer)** **August 20, 2010**	By:	/s/ ROBERT C. OWEN **Robert C. Owen** **Senior Vice President and Chief** **Accounting Officer** **(Principal Accounting Officer)** **August 20, 2010**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. Each person whose signature appears below hereby authorizes and appoints Peter C. Waller and Kenneth S. Ord, or either of them, as attorneys-in-fact and agents to execute and file with the applicable regulatory authorities any amendment to this report on his or her behalf individually and in each capacity stated below.

Signature	Title	Date
/s/ JACK D. MASSIMINO **Jack D. Massimino**	Executive Chairman of the Board	August 20, 2010
/s/ PETER WALLER **Peter Waller**	Chief Executive Officer, Director (Principal Executive Officer)	August 20, 2010
/s/ PAUL ST. PIERRE **Paul St. Pierre**	Director	August 20, 2010
/s/ LINDA AREY SKLADANY **Linda Arey Skladany**	Director	August 20, 2010
/s/ HANK ADLER **Hank Adler**	Director	August 20, 2010
/s/ ROBERT LEE **Robert Lee**	Director	August 20, 2010
/s/ TIM SULLIVAN **Tim Sullivan**	Director	August 20, 2010

/s/ JOHN DIONISIO	Director	August 20, 2010
John Dionisio		
/s/ ALICE T. KANE	Director	August 20, 2010
Alice T. Kane		
/s/ TERRY O. HARTSHORN	Director	August 20, 2010
Terry O. Hartshorn		