

## Archived Information

# STATEMENT OF HOWARD BLOCK BEFORE THE SECRETARY OF EDUCATION'S COMMISSION ON THE FUTURE OF HIGHER EDUCATION

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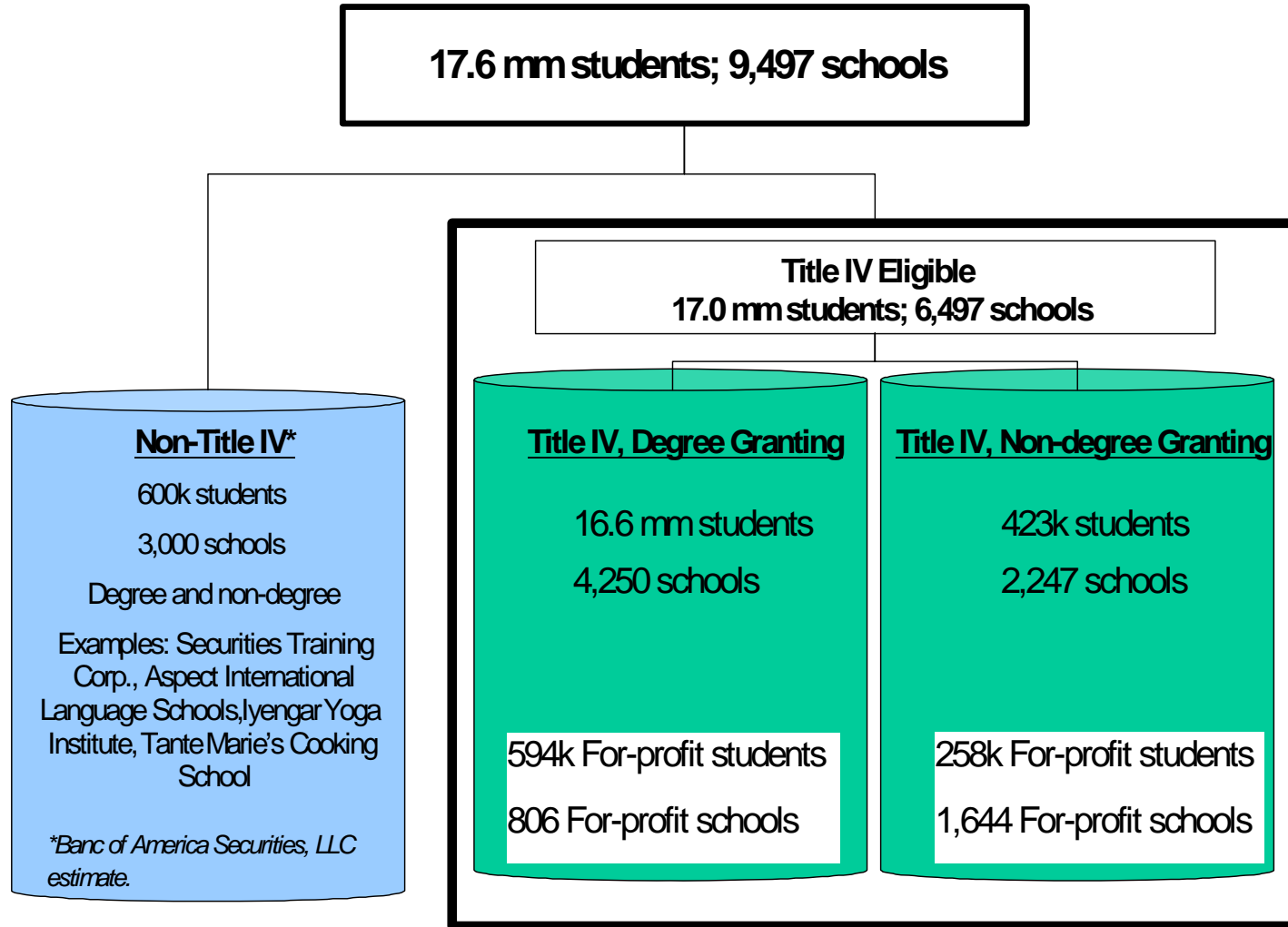
February 7, 2006

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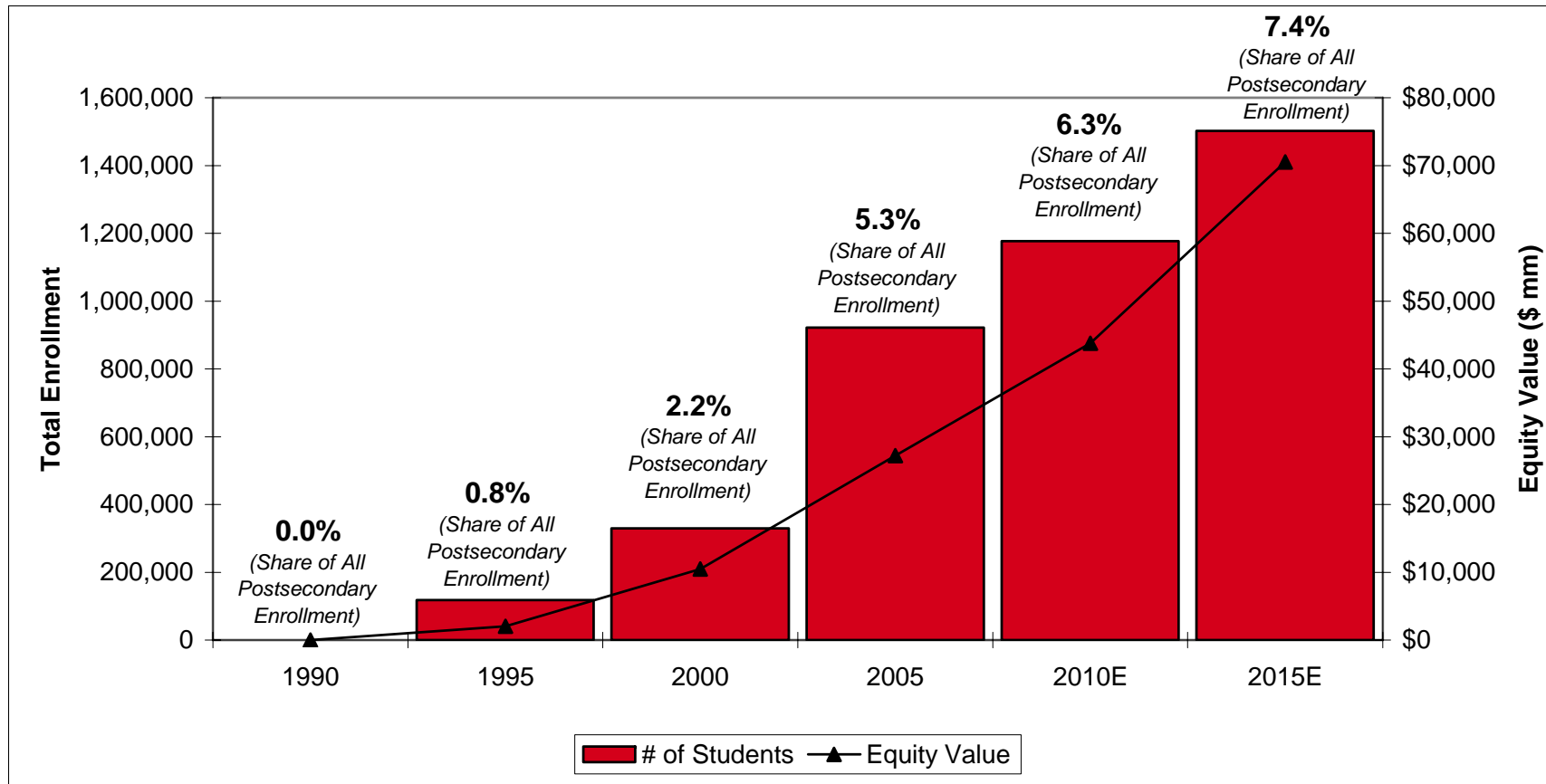
# U.S. Postsecondary Universe



Source: National Center For Education Statistics (NCES), Banc of America Securities, LLC estimates.



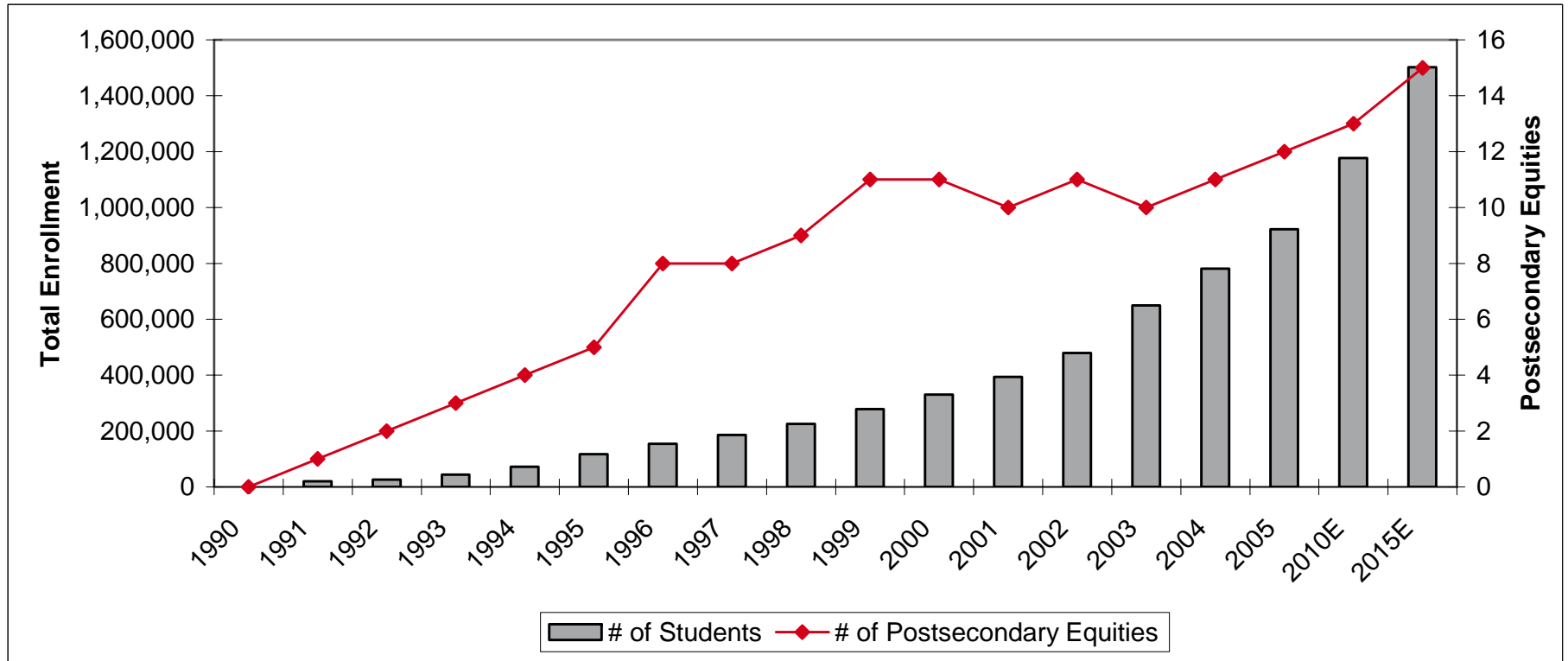
# Publicly Traded Postsecondary Education



Notes: We estimate 5% and 10% annual growth for total enrollment and equity value, respectively, of the publicly traded education companies. We estimate total annual enrollment growth for all institutions (public and private) of 1.5%.

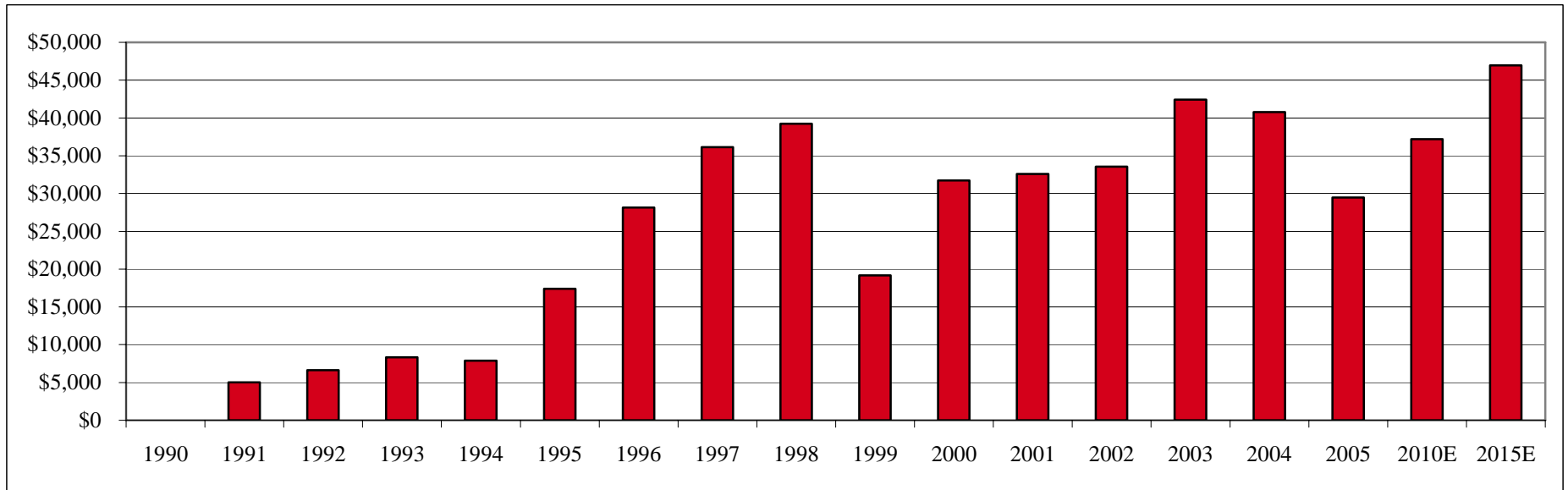
Source: Banc of America Securities, LLC estimates.

# Publicly Traded Postsecondary Education



Source: Banc of America Securities, LLC estimates.

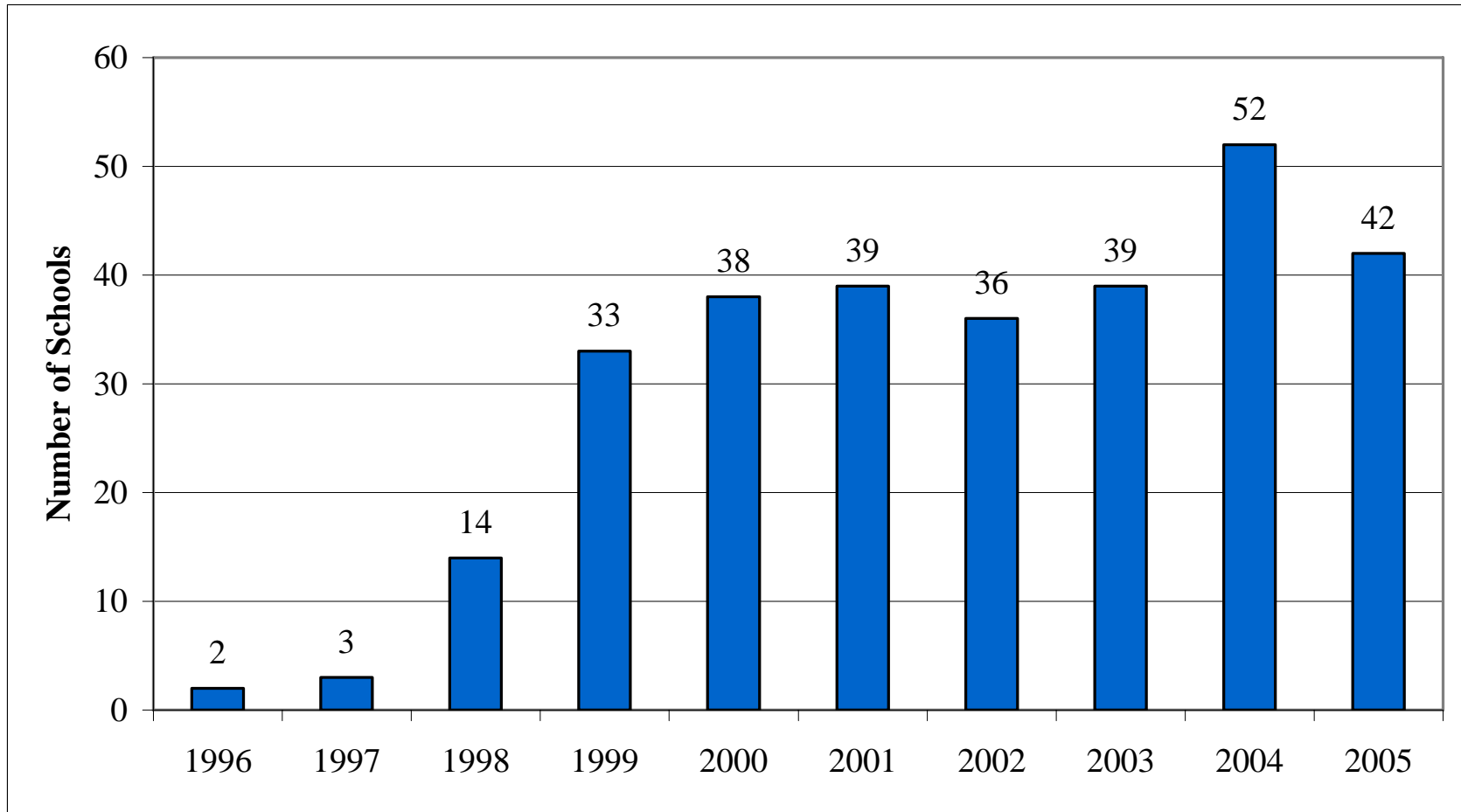
# Publicly Traded Postsecondary Education (Equity Value Per Student)



*Note: The equity value of a company is calculated by multiplying the total shares of stock (equity) outstanding by the market price for each share*

*Source: Banc of America Securities, LLC estimates.*

# Annual New Campus Openings



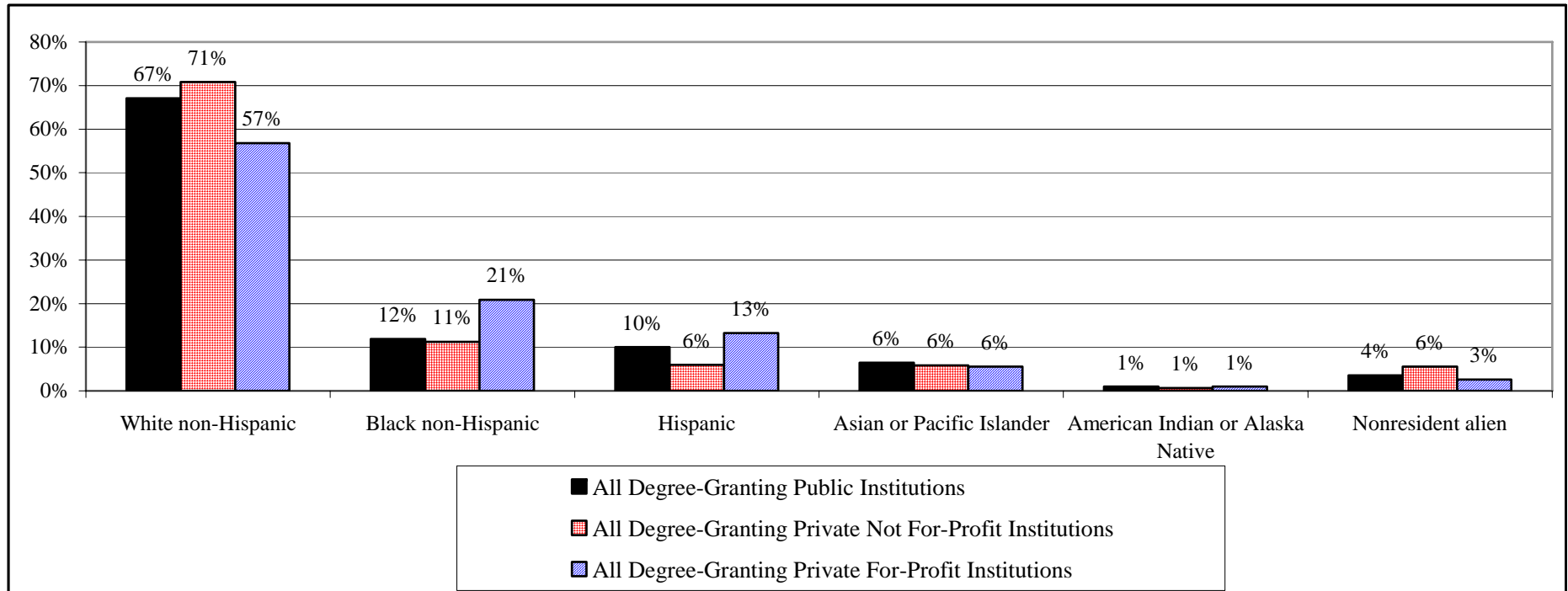
Source: Banc of America Securities, LLC estimates, Company reports.

## New Campus Openings In The Nations Largest Metropolitan Regions: Since 1996

Rank	Metropolitan Region	Population	# of Campus Openings	% of Total Campus Openings
1	New York	21,199,865	3	1%
2	Los Angeles	16,373,645	5	2%
<b>3</b>	<b>Chicago</b>	<b>9,157,540</b>	<b>11</b>	<b>4%</b>
<b>4</b>	<b>Washington D.C.</b>	<b>7,608,070</b>	<b>13</b>	<b>4%</b>
5	San Francisco	7,039,362	5	2%
<b>6</b>	<b>Philadelphia</b>	<b>6,188,463</b>	<b>11</b>	<b>4%</b>
7	Boston	5,819,100	4	1%
8	Detroit	5,456,428	5	2%
9	Dallas	5,221,801	4	1%
<b>10</b>	<b>Houston</b>	<b>4,669,571</b>	<b>10</b>	<b>3%</b>
<b>11</b>	<b>Atlanta</b>	<b>4,112,198</b>	<b>12</b>	<b>4%</b>
<b>Total For Top 11 Regions</b>		<b>92,846,043</b>	<b>83</b>	<b>28%</b>
<b>Total U.S. Population</b>		<b>281,421,906</b>		
<b>Top 11 Regions As A Percent of Total Population</b>				<b>33%</b>

Source: Banc of America Securities, LLC estimates, Company reports, U.S. Census Bureau.

# Postsecondary Enrollment By Race/Ethnicity



Source: National Center For Education Statistics (NCES), Banc of America Securities, LLC estimates.



# Postsecondary Enrollment By Race/Ethnicity

	White non-Hispanic	Black non-Hispanic	Hispanic	Asian or Pacific Islander	American Indian or Alaska Native	Nonresident Alien
<b>All Degree Granting Institutions</b>	<b>67%</b>	<b>12%</b>	<b>10%</b>	<b>7%</b>	<b>1%</b>	<b>4%</b>
4-Year	70%	11%	7%	6%	1%	5%
2-Year	63%	13%	15%	7%	1%	2%
<b>All Degree-Granting Public Institutions</b>	<b>67%</b>	<b>12%</b>	<b>10%</b>	<b>6%</b>	<b>1%</b>	<b>4%</b>
4-Year	67%	12%	11%	7%	1%	3%
2-Year	63%	13%	15%	7%	1%	2%
<b>All Degree-Granting Private Not For-Profit</b>	<b>71%</b>	<b>11%</b>	<b>6%</b>	<b>6%</b>	<b>1%</b>	<b>6%</b>
4-Year	71%	11%	6%	6%	1%	6%
2-Year	57%	15%	13%	8%	5%	2%
<b>All Degree-Granting Private For-Profit Institutions</b>	<b>57%</b>	<b>21%</b>	<b>13%</b>	<b>6%</b>	<b>1%</b>	<b>3%</b>
4-Year	57%	20%	12%	6%	1%	4%
2-Year	57%	22%	15%	4%	1%	1%
<b>All For-Profit Postsecondary Equities</b>	<b>51%</b>	<b>22%</b>	<b>14%</b>	<b>5%</b>	<b>1%</b>	<b>8%</b>

Source: National Center For Education Statistics (NCES), Banc of America Securities, LLC estimates.

# Return On Invested Capital (ROIC)

Company	ROIC
Great Northern Iron Ore	95%
<b>Apollo Group</b>	<b>69%</b>
Dell	55%
<b>Universal Technical Institute</b>	<b>48%</b>
<b>ITT Educational Services</b>	<b>40%</b>
<b>Strayer Education</b>	<b>32%</b>
Exxon Mobil	32%
Microsoft	27%
<b>Career Education</b>	<b>24%</b>
Yahoo	22%
Home Depot	21%
Anheuser-Busch	18%
<b>Education Management</b>	<b>17%</b>
<b>Lincoln Educational Services</b>	<b>14%</b>
Electronic Arts	13%
<b>Corinthian Colleges</b>	<b>11%</b>
McDonald's	11%
Honeywell	10%
<b>DeVry</b>	<b>5%</b>
General Electric	4%
Jarden	3%
<b>Average</b>	<b>27%</b>

## Annualized Tuition: For-Profit Sector Vs. All Others

College/University	Annualized Tuition
University of Phoenix	\$7,953
American Intercontinental University	20,700
Bryman College	10,415
DeVry	16,000
The Art Institute	22,380
ITT Technical Institute	16,360
Lincoln Technical Institute	16,703
Strayer University	9,221
Universal Technical Institute	20,122
<b>For-Profit Average</b>	<b>\$15,539</b>
<i>College Board Industry Estimates*:</i>	
All Public Two-Year Colleges	\$2,933
All Public Four-Year Colleges	7,333
All Private Four-Year Colleges	28,000
<i>*Annualized the academic year estimate to compare with the for-profit annual tuition.</i>	

Source: Banc of America Securities, LLC estimates, The College Board, National Center For Education Statistics (NCES).

# Sample of Leading Innovations

Company (School Brand)	Innovation	Details
Apollo Group (University of Phoenix)	WritePoint	This automated writing skills feedback system was developed by the University to improve writing fluency -- crucial to both educational and employment success. After a paper is submitted to Writepoint the paper is returned with feedback on grammar, usage, and formatting (the program checks papers against a list of more than 150 grammar rules). WritePoint inserts feedback directly into the text of the paper where an error occurs, rather than at the end. University of Phoenix students submit more than 5,000 documents per day, and as of December the tool had reviewed more than one million papers.
	eBooks	Students can access more than 700 titles in a unified online collection and a variety of methods (read online, print, or download). The collection can be searched by author, title or keyword and the content is divided by chapter (or other relevant subsections), enabling students and faculty to access the most relevant portions in their coursework and research. Unlike hard-copy texts, eBooks can be updated as necessary without the need to replace entire volumes.
DeVry	System-Supported Mastery Learning (SSML) using the MyMathLab Support System	In an attempt to improve students' math competency and performance, DeVry changed its system for teaching entry-level math courses. Developed and piloted by a professor at the company's Ft. Washington campus, the "MyMathLab" solution (from Pearson Education) provides a learning infrastructure that facilitates additional feedback and testing. Despite the burden on faculty and administrators managing the infrastructure (ie. multiple versions of tests, grading, retests, and additional feedback), the MyMathLab solution enables heightened tracking of student progress. DeVry's adoption of MyMathLab and its attempt to increase the math competency of students is one example of the company's efforts to remedy the disconnects between high school and college education, as well as college education and the demands of the workforce.
Laureate Education	Leveraging an International Network of Universities	Laureate offers students the benefits of a large International network of universities through: 1) Dual-Degrees - Laureate offers a Universidad de Valle de Mexico/Walden University dual-degree that is accredited by both the U.S. and Mexican governments. 2) Study Abroad - While many colleges offer study abroad programs, few can boast study abroad relationships with their own universities. 3) Diverse, international learning practices - Traveling instructors and internationally transplanted programs provide a diverse mix of programs throughout the entire global network of schools.

Source: Banc of America Securities, LLC estimates, Company websites and company reports.

## Summary of Online Education Offerings

For-Profit Postsecondary Online Brands		
Company	Brand	Estimated Population
Apollo Group	University of Phoenix	150,000
Career Education	American InterContinental University (1)	32,000
Corinthian Colleges	Florida Metropolitan University	4,400
DeVry, Inc.	DeVry Online	10,000
Education Management	The Art Institute Online (2)	4,000
ITT Educational	ITT Online	5,000
Laureate Education	Walden University	26,000
Strayer Education	Strayer University Online	15,000
<b>Total</b>		<b>246,400</b>
<p><i>(1) Career Education also operates Colorado Technical University and Stonecliffe College, which are included in estimated population.</i></p> <p><i>(2) Education Management also operates South University Online, which is included in estimated population.</i></p>		

Source: Banc of America Securities, LLC estimates, The College Board, National Center For Education Statistics (NCES).

# Calendar of Academic Start Dates

Company	School	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Apollo Group	University of Phoenix	X	X	X	X	X	X	X	X	X	X	X	X
Career Education	American Intercontinental University	X	X	X	X		X	X		X	X		
Corinthian Colleges	Bryman College	X	X	X	X	X	X	X	X	X	X	X	X
DeVry	DeVry	X		X		X		X		X		X	
Education Management	The Art Institute		X	X		X	X		X	X		X	X
ITT Educational Services	ITT Technical Institute			X			X			X			X
Lincoln Educational Services	Lincoln Technical Institute	X	X	X	X	X	X	X	X	X	X	X	X
Strayer Education	Strayer University			X			X			X			X
Universal Technical Insitute	Universal Technical Institute	X	X	X	X	X	X	X	X	X	X	X	X

Source: Banc of America Securities, LLC estimates.

# Everyone's Talking About Higher Education's Wage Premium

## **The New York Times raves:**

"[the wage premium] peaked in 2001 at just over 45 percent, and with the premium at more than 40 percent today, a four-year college degree is still a solid investment. Consider the median wage of full-time workers who are at least 25 years old. At the end of last year, it was \$986 a week for those with a bachelor's degree or higher, versus \$574 for those with only a high school education, according to the most recent calculation from the Bureau of Labor Statistics."

--Louis Uchitelle; October 2, 2005

## **Two thumbs up from the Chicago Tribune:**

"The biggest contributor to rising inequality is the erosion of wages for workers without college degrees... The world places a higher premium on skills and education."

--Barbara Rose; January 27, 2006

## **BusinessWeek lauds the wage premium's stellar performance:**

"For two decades, from 1980 to 2000, pay for college-educated workers marched relentlessly upwards, leaving workers with a mere high school diploma in the dust."

--Michael J. Mandel; September 12, 2005

## **For Higher Wages, Get a Degree, and Know Your PC**

"...a combination of computer literacy and higher education makes a person statistically likely to earn a lot more money."

--BizJournal.com (July 18, 2004)

Source: Banc of America Securities, LLC estimates, Publication websites.

## **Others are singing the praises of the wage premium:**

"Wage enhancement is a well-known benefit of a college diploma, and the earnings for college graduates continue to increase. In 1975, full-time workers with a bachelor's degree earned, on average, 1.5 times more than those with only a high school diploma; by 1999 this ratio had increased to 1.8. Today, college grads earn \$48,000 a year, on average."

--Sandy Pappas, Pioneer Press (MN) (December 29, 2005)

## **A Higher Degree the Key to Higher Pay?**

"The advantage of part-time and online degree programs, along with the cost benefits, is that you are able to apply your skills immediately, keeping you current and more attractive to employers."

--Caitlin Kneram, Salary.com

## **College Degree Nearly Doubles Annual Earnings; Census Bureau Confirms Earning Power of Higher Education**

"Workers 18 and over sporting bachelors degrees earn an average of \$51,206 a year, while those with a high school diploma earn \$27,915. But wait, there's more. Workers with an advanced degree make an average of \$74,602, and those without a high school diploma average \$18,734."

--Robert Longley, About.com

## Examples of Insider Selling

Date	Insider	Shares	Company	Transaction	Value
23-Apr-04	FLUGE, NICK	64,500	Career Education	Sale at \$67.71 per share.	\$4,367,295
27-May-04	FLUGE, NICK	101,000	Career Education	Sale at \$66 - \$66.4 per share.	\$6,686,000
28-May-04	FLUGE, NICK	21,988	Career Education	Sale at \$66.37 - \$66.88 per share.	\$1,465,000
28-May-04	FLUGE, NICK	5,512	Career Education	Sale at \$66.07 - \$66.34 per share.	\$365,000
23-Apr-04	GRUVER, JACOB P.	64,500	Career Education	Sale at \$67.71 per share.	\$4,367,295
11-May-04	GRUVER, JACOB P.	60,000	Career Education	Sale at \$62.951 per share.	\$3,777,060
18-May-04	GRUVER, JACOB P.	31,200	Career Education	Sale at \$63.50 - \$63.79 per share.	\$1,986,000
19-May-04	GRUVER, JACOB P.	20,000	Career Education	Sale at \$64.38 - \$65.2 per share.	\$1,296,000
20-May-04	GRUVER, JACOB P.	48,000	Career Education	Sale at \$63.01 per share.	\$3,024,480
23-Apr-04	LARSON, JOHN M.	200,000	Career Education	Sale at \$67.40 per share.	\$13,480,000
2-Feb-04	MOORE, DAVID G.	15,000	Corinthian Colleges	Automatic Sale at \$61.7144 - \$61.723 per share.	\$926,000
9-Feb-04	MOORE, DAVID G.	15,000	Corinthian Colleges	Automatic Sale at \$64.22 per share.	\$963,300
17-Feb-04	MOORE, DAVID G.	15,000	Corinthian Colleges	Automatic Sale at \$63.24 - \$63.65 per share.	\$952,000
23-Feb-04	MOORE, DAVID G.	15,000	Corinthian Colleges	Automatic Sale at \$60.45 per share.	\$906,750
1-Mar-04	MOORE, DAVID G.	8,000	Corinthian Colleges	Automatic Sale at \$60.66 - \$62 per share.	\$491,000
1-Apr-04	MOORE, DAVID G.	50,000	Corinthian Colleges	Automatic Sale at \$33.6803 per share.	\$1,684,015
2-Apr-04	MOORE, DAVID G.	23,100	Corinthian Colleges	Automatic Sale at \$34 - \$34.3 per share.	\$789,000
5-Apr-04	MOORE, DAVID G.	26,900	Corinthian Colleges	Automatic Sale at \$34.255 per share.	\$921,459
21-Apr-04	MOORE, DAVID G.	39,800	Corinthian Colleges	Automatic Sale at \$35.0231 per share.	\$1,393,919
6-Apr-05	NOONE, LAURA PALMER	10,000	Apollo Group	Sale at \$75.65 per share.	\$756,500
13-Jul-05	NOONE, LAURA PALMER	5,000	Apollo Group	Sale at \$74.1514 per share.	\$370,757
22-Dec-05	NOONE, LAURA PALMER	214,259	Apollo Group	Sale at \$61.9574 - \$62.1 per share.	\$13,290,000
29-Dec-04	SPERLING, PETER V.	42,000	Apollo Group	Sale at \$81.3244 per share.	\$3,415,624
1-Jul-05	SPERLING, PETER V.	50,578	Apollo Group	Sale at \$78.5099 per share.	\$3,970,873
6-Jul-05	SPERLING, PETER V.	6,908	Apollo Group	Sale at \$77.2301 per share.	\$533,505
27-Jul-05	SPERLING, PETER V.	72,122	Apollo Group	Sale at \$73.648 per share.	\$5,311,641
28-Jul-05	SPERLING, PETER V.	60,000	Apollo Group	Sale at \$75.6745 per share.	\$4,540,470
23-Apr-04	STEELE, TODD H.	150,000	Career Education	Sale at \$67.71 per share.	\$10,156,499

Source: Yahoo Finance.



# Contingencies and Legal Proceedings: Career Education

Litigation Type	Case	Description	Latest Action
(Employment and Securities Litigation)	Vander Venet, et. Al. v. American InterContinental University, Inc., et. al.	The lawsuit was filed on August 24, 2005 by former admissions advisors of AIU Online, alleging improper labor standards.	CECO filed a response on October 5, 2005 opposing the lawsuit.
	Taubenfeld v. Career Education Corporation et. al.	The consolidation of six class action lawsuits filed between December 9, 2003 and February 5, 2004 in the United States District Court for the Northern District of Illinois.	CECO filed a response and motion to dismiss on August 8, 2005.
	Romero v. Dowdell, et. al.	A derivative action filed under seal in the Chancery Court of New Castle County, Delaware.	CECO filed a motion to dismiss the amended derivative complaint on October 26, 2005.
	McSparran v. John M. Larson, et. al.	A derivative action filed in the United States District Court for the Northern District of Illinois.	On March 24, 2005, the Court stayed discovery pending resolution of defendants' motion to dismiss. On March 18, 2005, plaintiffs filed a motion to compel the production of certain documents, which the Court denied on March 24, 2005.
	Xiao-Qiong Huang v. John M. Larson, et. al.	A derivative action filed in the Circuit Court of Cook County, Illinois, Chancery Division.	On September 12, 2005, the Court denied defendants' motion to dismiss, but ordered a stay of the action until further order of the Court in deference to the prior-filed McSparran matter.
	Nicholas v. Dowdell, et. al.	A derivative action filed in the Chancery Court of New Castle County, Delaware.	On March 17, 2005, the Court granted the parties' joint motion to stay the action pending final resolution of the McSparran matter described above.
(Student Litigation)	McCarten et. al. v. Allentown Business School, Ltd. t/a Lehigh Valley College	The complaint was filed on September 28, 2005 by former students of the college who received high interest private loans.	The time for CECO to respond to the lawsuit has not yet expired.
	Bradley et. al. v. Sanford Brown College, Inc., et. al.	Eight former students of the school filed a complaint alleging misrepresentation by the school.	CECO filed a motion to dismiss on October 13, 2005.
	Onate and Lawrence, et. al. v. The Katherine Gibbs Corp. – New York, the Katherine Gibbs Corp. – Melville, and Career Education Corp	A class action lawsuit was filed by former students alleging misleading practices.	On October 11, 2005 CECO's motion to compel arbitration was granted.
	Benoit, et. al. v. Career Education Corporation, et. al.	A class action filed in Hillsborough County, Florida against the company and Ultrasound Technical Services, Inc.	On October 11, 2005 the court ordered that the lawsuit be stayed, pending the completion of arbitration.
	Nilsen v. Career Education Corporation, et. al.	A class action complaint filed by three former students of Brooks Institute of Photography in the Superior Court of the State of California, County of Santa Barbara.	On October 17, 2005 CECO filed a motion to stay the case, pending the outcome of the Brooks Institute of Photography (BIP) and the California Bureau for Private Postsecondary and Vocational Education (BPPVE). Hearings are scheduled for December 6, 2005.
	Thurston, et. al., v. Brooks College, Ltd., et. al.	A class action complaint filed in the Superior Court for the State of California, County of Los Angeles, against Brooks College.	On June 24, 2005, the Court ruled that this action was related to the case captioned Outten, et. al. vs. Career Education Corporation, et al., and stayed the lawsuit until an initial status conference.
	Viles v. Ultrasound Technical Services, Inc., et. al.	A class action complaint filed in Broward County, Florida.	On April 7, 2005, defendants filed motions to compel arbitration and transfer venue to Miami-Dade County, Florida. The parties have agreed to transfer venue to Miami-Dade County.
	Outten, et. al., v. Career Education Corporation, et. al.	An amended complaint filed in the Superior Court of the State of California, County of Los Angeles, against the company and American InterContinental University.	On June 24, 2005, the court ruled that this action was related to the Thurston v. Brooks College case. The matter is stayed until an initial status conference.

Source: Banc of America Securities, LLC estimates, Company reports.

# Contingencies and Legal Proceedings: Career Education (Continued)

Litigation Type	Case	Description	Latest Action
(Federal Regulatory Actions)	U.S. Department of Education	The department of education is reviewing CECOs restated consolidated financial statements.	In August 2005, CECO submitted its response to the DOE's program review of the Pennsylvania Culinary Institute.
(State Regulatory Actions)	Lehigh Valley College	The Pennsylvania attorney general is investigating the school's business practices, including financial aid practices.	CECO provided the documents requested in August 2005.
	Brooks Institute of Photography (BIP)	An administrative hearing has been set for February 2006, regarding BIP's conditional approval status.	A hearing is also set for December 12, 2005 to review the context of the BPPVE's renewal application.
	Sanford Brown Institute – Iselin	In September 2005 the school's administration met with the New Jersey Department of Labor and Workforce Development.	The school was granted verbal approval to proceed with the school's license application submission.
	International Academy of Design and Technology—Sacramento International Academy of Design and Technology—San Antonio	As a result of the DOE investigation, new applications to participate in Title IV programs will not be approved. As a result of the DOE investigation, new applications to participate in Title IV programs will not be approved.	CECO indicated that it provided the DOE with all documentation that it has requested. CECO indicated that it provided the DOE with all documentation that it has requested.
(Accrediting Body Actions)	American InterContinental University (AIU)	The Southern Associations of Colleges and Schools placed AIU on probation status at the December 2005 meeting.	The Southern Associations of Colleges and Schools will review AIU's progress and make a decision at the December 2006 meeting.
	Brooks College	The Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges removed Brooks from probation status on June 29, 2005 and reaffirmed accreditation through 2010.	Brooks must submit a progress report by March 15, 2006.
	Sanford Brown Institute – White Plains	The school submitted requested information to the Accrediting Bureau of Health Education Schools on October 1, 2005 in response to the agencies show cause directive.	The school is scheduled to appear before the accrediting body in December 2005 to review the status of the show cause directive.

Source: Banc of America Securities, LLC estimates, Company reports.

# Contingencies and Legal Proceedings: Corinthian Colleges

Litigation Type	Case	Description	Latest Action
(Student Litigation)	Satz v. Rhodes Colleges, Inc., Corinthian Colleges, Inc., and Florida Metropolitan University	Complaints brought by current and former students of Florida Metropolitan University regarding the transferability of credits to other accredited institutions.	The arbitrator found for the company and awarded its motion to dismiss. The arbitrator denied Satz's motion for reconsideration. The court compelled the case to arbitration.
	Travis v. Rhodes Colleges, Inc., Corinthian Colleges, Inc., and Florida Metropolitan University	Complaints brought by current and former students of Florida Metropolitan University regarding the transferability of credits to other accredited institutions.	
	Jennifer Baker, et al. v. Corinthian Colleges, Inc. and Florida Metropolitan University, Inc.	Complaints brought by current and former students of Florida Metropolitan University regarding the transferability of credits to other accredited institutions.	The company filed a motion to compel arbitration.
	Alan Alvarez, et al. v. Rhodes Colleges, Inc., Corinthian Colleges, Inc., and Florida Metropolitan University, Inc.	Complaints brought by current and former students of Florida Metropolitan University regarding the transferability of credits to other accredited institutions.	The company filed a motion to compel arbitration.
	Michelle Sanchez v. Corinthian Colleges, Inc.,	A putative class action demand in arbitration filed by a former diagnostic medical sonography student from the Bryman College campus in West Los Angeles.	No actions have been taken.
	Nancy Tsai v. Corinthian Colleges, Inc., et al.	A lawsuit filed by twenty-four current or former medical assisting students from the Company's National Institute of Technology campus in Long Beach, California.	The Company has filed demands in arbitration against each of the individual plaintiffs for breach of their contractual obligation to arbitrate rather than litigate disputes with the Company and has prevailed on its motion with the California Superior Court to compel the plaintiffs to binding arbitration.
	Jaclyn Fisher, et al. v. Corinthian Colleges, Inc.	A lawsuit filed by forty-one current or former medical assisting students from the company's Bryman College campus in Tacoma, Washington.	The company prevailed on its motion to compel twenty-one of the plaintiffs with arbitration provisions to binding arbitration. Additional individual lawsuits have been filed by the same counsel which raise the total number of students involved to approximately ninety.
(Securities Litigation)	Collet, Derivatively on behalf of Corinthian Colleges, Inc., v. David Moore, et al.	Derivative action filed in the Orange County California Superior Court. Consolidated with the Davila case.	This consolidated action has been stayed by the court pending a decision on the company's motion to dismiss in the federal securities action, although plaintiffs have been permitted leave to file an amended complaint.
	Davila, Derivatively on behalf of Corinthian Colleges, Inc., v. David Moore, et al.	Derivative action filed in the Orange County California Superior Court. Consolidated with the Collet case.	This consolidated action has been stayed by the court pending a decision on the company's motion to dismiss in the federal securities action, although plaintiffs have been permitted leave to file an amended complaint.
(State Regulatory Actions)	California Attorney General's Office	The AG office requested that COCO provide documentation regarding three of its California Bryman Colleges and certain other general company policies and procedures.	The AG's office has not asserted any claims against the company.

# Contingencies and Legal Proceedings: ITT Educational Services

Litigation Type	Case	Description	Latest Action
(Employment and Securities Litigation)	City of Austin Police Retirement System, Individually and on Behalf of All Others Similarly Situated v. ITT Educational Services, Inc., et al	A securities class action lawsuit filed in the U.S. District Court for the Southern District of Indiana.	On October 24, 2005, the court dismissed the Austin Action with prejudice.
	In Re ITT Educational Services, Inc. Derivative Litigation.	A consolidated complaint in a shareholder derivative lawsuit filed in the Superior Court of Hamilton County, Indiana.	On September 16, 2005, the court dismissed with prejudice all of the claims against all of the defendants.
	Alaska Electrical Pension Fund Derivatively on Behalf of ITT Educational Services, Inc. v. Rene R. Champagne, et al.	A shareholder derivative lawsuit filed in the U.S. District Court for the Southern District of Indiana.	On December 8, 2004, the parties agreed to stay this action pending the result of the <i>In Re ITT Educational Services, Inc. Derivative Litigation</i> case.
	Albert Reitan, derivatively on behalf of nominal defendant ITT Educational Services, Inc. v. Rand V. Araskog, et al.	A shareholder derivative lawsuit filed in the Chancery Court of New Castle County, Delaware.	On March 31, 2005, the court issued an order staying this action until the result of the <i>City of Austin Police Retirement System, Individually and on Behalf of All Others Similarly Situated v. ITT Educational Services, Inc. et al.</i> case.
	United States of America ex rel. Robert Olson v. ITT Educational Services, Inc. d/b/a ITT Technical Institute	A qui tam action filed in the United States District Court for the Southern District of Indiana.	On June 24, 2005 an amended complaint was filed.
(State Regulatory Actions)	Office of Attorney General for the State of California	An investigation of the ITT Technical Institutes in California, initiated as a result of a qui tam action filed against the company. (United States of America ex rel. Mohamed Mahmoud and Ed Maloney v. ITT Educational Services, Inc.)	On September 30, 2005, the company agreed to settle the Attorney General's claims, on October 12, 2005, the court unsealed the Mahmoud Action and the Department of Justice declined to intervene on September 30, 2005.

Source: Banc of America Securities, LLC estimates, Company reports.

## Contingencies and Legal Proceedings: Apollo Group

Litigation Type	Case	Description	Latest Action
(Employment and Securities Litigation)	Sekuk Global Enterprises et. al. v. Apollo Group, Inc. et. al., Christopher Carmona et. al. v. Apollo Group, Inc. et. al., Jack B. McBride et. al. v. Apollo Group, Inc. et. al.	Consolidated class action complaints filed in the United States District Court for the District of Arizona.	The Court denied Apollo's motion to dismiss on October 18, 2005.
	California qui tam action	A qui tam action filed in the United States District Court for the Eastern District of California.	On June 11, 2004, an appeal was filed with the United States Ninth Circuit Court of Appeals.
	Bryan Sanders et. al. v. University of Phoenix, Inc. et. al.	A class action complaint filed in the Superior Court of the State of California for the County of Orange.	A management conference has been set for April 2006.

Source: Banc of America Securities, LLC estimates, Company reports.

# Contingencies and Legal Proceedings: Education Management Corporation

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Litigation Type	Case	Description	Latest Action
(Accrediting Body Actions)	The Art Institute of Dallas	The Art Institute of Dallas (Ai Dallas) was placed on probation by its accrediting body, the Commission on Colleges of the Southern Association for Colleges and Schools (SACS).	SACS will review AI Dallas' progress and make a decision by the December 2006 meeting.

Source: Banc of America Securities, LLC estimates, Company reports.



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