

P.O. Box 28269
Olivette, MO 63132
www.vatterott-college.edu

Phone: 314-264-1500

January 21, 2011

Carolyn Small
Postsecondary Registration Administrator/Policy Analyst
Iowa College Student Aid Commission
603 E. 12th Street, 5th Floor
Des Moines, Iowa 50309

Re: Amendment to Registration to add Vatterott College – Sunset Hills

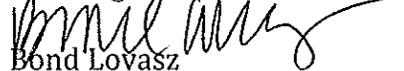
Dear Ms. Small,

As you may remember from our previous conversation, Vatterott College – Sunset Hills in Sunset Hills, Missouri, would like to offer its' online programs to residents of Iowa. You had suggested that we amend our Des Moines registration to add the Sunset Hills location. I attached the amendment paperwork.

You also mentioned that some of our policies, both for our Des Moines and Sunset Hills location may need to be re-drafted and very kindly suggested that you could help with revisions to the policy. I will communicate with you further in the next week to set up a time suitable to you that we could talk further about some of these revisions.

Please let me know if you need further information or have any questions. Thanks again for your time in this matter.

With regards,



Bond Lovasz

Associate Counsel

Office: 314-264-1868

Email: bond.lovasz@vatterott-college.edu

September 1, 2010

Via Electronic Mail

Ms. Carolyn Small
Policy Analyst
Iowa College Student Aid Commission
200 10th Street, Fourth Floor
Des Moines, IA 50309
Carolyn.Small@iowa.gov

Re: Vatterott College-Sunset Hills
Operation of Online Campus in Iowa

Dear Ms. Small:

It was a pleasure speaking with you on August 17, 2010, regarding the possibility of Vatterott College-Sunset Hills (the "College") making its online programming available to Iowa residents, and whether and to what extent registration with the Iowa College Student Aid Commission (the "Commission") would be advised. We were extremely appreciative for your time and guidance. During the course of our conversation, you indicated that with the exception of its Medical Assistant program, the College may be able to begin offering its online programs to Iowa residents without obtaining any new registration from the Commission. Prior to offering the Medical Assistant program, you suggested that the College may need to seek an amendment to the existing registration of the Vatterott College-Des Moines location, already physically located, registered, and operating in the State. Finally, you noted that it would be helpful to you if we provided a written description of the program offerings and related activities the College would like to undertake in Iowa. Following, please find such a description for your review.

Program Offerings

At present, the College offers the five, online programs listed below, each of which is delivered through the "eCollege" online learning platform and utilizes an asynchronous learning format. The College would plan to offer each of these programs to Iowa residents.

Medical Assistant - Associate of Occupational Studies

The College's Medical Assistant AOS program is designed to prepare students for employment as an entry level Medical Assistant. Students graduating from this program obtain the skills necessary to secure employment in the medical field, working in both administrative

Career Skills for a Better Life!

Information Systems Security – Diploma

This purpose of the Information Systems Security Diploma program is to meet the increasing need for trained computer professionals in the area of information systems security. The program addresses contemporary security needs and assists students in their preparation for the Security+ and CISSP certifications. The program consists of 60 weeks, 72 Quarter Credit Hours of Information Systems Security and associated lab work. All lab work also is completed online, in a virtual environment. Instruction is designed for entry every 10 weeks.

“Your Role in the Green Environment” – Non-Accredited Professional Development Course

This professional development course is designed to help learners understand their impact on the environment. The course provides information on what it means to “build green,” as well as a broad overview of the ever-changing green environment initiatives. The course also provides an overview of the changes in the construction industry resulting from an increased focus on sustainable design and environmentally-friendly practices. Upon completion of this course, learners receive a certificate of completion. The course consists of 15 hours of instruction over 4 weeks.

Related Activities

The College would plan to conduct national marketing and advertising of the online programs to be offered in Iowa, to potentially include national television and Internet advertisements. In these advertisements, the College would *not* specifically target the residents of Iowa or any other state. Indeed, the College would not engage in any marketing or recruiting activity designed specifically to target Iowa residents (*e.g.*, placing advertisements in Iowa papers, running advertisements on Iowa-based television or radio stations, mailing Iowa residents written materials).

The College would *not* plan to physically recruit for its online programs in Iowa, or to otherwise engage in any form of solicitation that specifically contacts or targets Iowa residents. The College does, however, expect that information concerning its online programs would be available at Vatterott College-Des Moines.

The College notes that it presently is operating under an ACCSC-approved Consortium Agreement with the other ACCSC-accredited colleges within the system of Vatterott Educational Centers, including Vatterott College-Des Moines, pursuant to which students enrolled in Vatterott College-Des Moines can take certain online *courses* delivered from the College, which may be applied toward the *program* offered by the Des Moines location.

Finally, the College does not presently employ any Iowa residents as instructors for its online programs.

Iowa College Student Aid Commission

Postsecondary Approval and Registration Administrator
200 10th Street, Fourth Floor
Des Moines, IA 50309
(515) 725-3470

Application for Approval and Registration of Postsecondary School Iowa Code Chapter 261B

Pursuant to Iowa Code Chapter 261B, the undersigned school applies for registration to conduct or maintain one or more courses of instruction, including courses of instruction by correspondence, where the courses are offered in Iowa or the school has a presence in Iowa and desires to offer courses in other states or foreign countries.

Submit a paper document and a complete duplicate in pdf format on a CD.

Applications may be submitted electronically by contacting the Postsecondary Approval Administrator at the Iowa College Student Aid Commission.

Applications for an initial approval and registration must include a *non-refundable* check for \$4,000 payable to the State of Iowa.

Applications fees are to be sent to:

Postsecondary Approval and Registration Administrator
200 10th Street, Fourth Floor
Des Moines, IA 50309

All items must be completed before the application will be considered as received by the Commission. Attach additional pages as needed to provide the requested information. Responses are required to have a minimum of a summary paragraph on this form. Responses that include only statements similar to "please see attached", will be considered incomplete. Other documents or materials may also be attached to support the application. Attachments must be tabbed and clearly marked on both the paper and pdf documents..

(Registrations must be renewed every four years or upon any substantive change in program offerings, location, or accreditation.)

Name of school and address of the principal office as defined in Iowa Code Section 490.140 or 510.141:
[(261B.4(2))] and [(261B.4(1))]

Name of School: Vatterott College
Suite: _____
Street: 7000 Fleur
City: Des Moines
State: Iowa
Zip: 50321
Country: _____
Telephone Number (including country or area code): 515-309-9000

Type of corporation:

- For-profit
 Non-profit

Address of this school in all in other states, and in foreign countries:

Suite	Street	City	State	Zip	Country	Telephone
	17970 Maurer Ln.	Drive Sunset Hills	MO	63127		314-843-4200

Address of all locations in Iowa where instruction is to be provided

Suite	Street	City	State	Zip	Country	Telephone

Tuition charges, fees and other costs payable to the school by a student. [(261B.4(3))]

Program to be Offered in Iowa	Tuition	Fees	Books and Supplies	Other	Total
Information Systems Security	\$18,600.00	\$1,400.00	VARY		\$20,000.00
Medical Assistant	\$22,000.00	\$1,900.00	VARY		\$23,900.00
Medical Billing & Coding	\$22,000.00	\$1,900.00	VARY		\$23,900.00
Business Management	\$22,000.00	\$1,900.00	VARY		\$23,900.00
Your Role in the Green Environment	\$250.00		\$75.00		\$325.00
Better Green Business	\$250.00		\$75.00		\$325.00
Electronic Evidence Discovery	\$275.00		\$250.00		\$525.00

no credit, no credential interest
 Courses - all 100% online

Refund policy of the school for the return of refundable portions of tuition, fees, or other charges [(261B.4(4))] If the refund policy is attached, please summarize the policy below.

Degrees granted by the school [(261B.4(5))]

Offered in Iowa [(261B.4(11))]

Offered outside of Iowa

Name, business address and telephone number of the chief executive officer of the school: [(261B.4(7))]

Name: Pamela Bell
 Suite: 222

Street: 9200 Olive Blvd.
City: OLIVETTE
State: MISSOURI
Zip: 63137
Country: USA
Telephone Number (including country or area code): 314-264-1500

Provide a copy or description of the means by which the school intends to comply with 261B.9 [(261B.4(8))].
Code section 261B.9 is as follows:

261B.9 DISCLOSURE TO STUDENTS.

Prior to the commencement of a course of instruction and prior to the receipt of a tuition charge or fee for a course of instruction, a school shall provide written disclosure to students of the following information accompanied by a statement that the information is being provided in compliance with this section:

1. The name or title of the course.
2. A brief description of the subject matter of the course.
3. The tuition charge or other fees charged for the course. If a student is enrolled in more than one course at the school, the tuition charge or fee for all courses may be stated in one sum.
4. The refund policy of the school for the return of the refundable portion of tuition, fees, or other charges. If refunds are not to be paid, the information shall state that fact.
5. Whether the credential or certificate issued, awarded, or credited to a student upon completion of the course or the fact of completion of the course is applicable toward a degree granted by the school and, if so, under what circumstances the application will be made.
6. The name of the accrediting agency recognized by the United States department of education or its successor agency which has accredited the school.

Response:

All of the above is provided in writing to students in the campus catalog. The name/titles of courses are located in the attached catalog on page 51-89. Descriptions of subject matter are also located on pages 51-89. The tuition and other fees are located on pages 3 and 2 of the Addendum - Tuition and Fees. The refund policy is located on page 21. Application of degree or credential awarded can be found on pages 51-89 of the catalog. The name of the accrediting agencies are located on page 9.

Name, address, and telephone number of a contact person in Iowa. [(261B.4(10))]

Name: Joy Jasper Vatterott College - Des Moines Campus Director
Suite: _____
Street: 7000 Fleur Drive
City: Des Moines
State: Iowa
Zip: 50321
Country: USA

Telephone Number (including country or area code): 515-309-9000

Name, address, and title of the other officers and members of the legal governing body of the school: [(261B.4(6))]

Officer Number 1

Name: DENNIS BEAVER, CFO
Suite: 222
Street: 4200 OLIVE BLVD.
City: OLIVE
State: MO
Zip: 63132
Country: _____
Telephone No. (including country or area code): 314-264-1500

For officers 2 or more, add pages as needed:

Owner Number 2

Names and addresses of persons owning more than 10% of the school: [(261B.4(6))]

Name: _____
Suite: _____
Street: _____
City: _____
State: _____
Zip: _____
Country: _____
Telephone Number (including country or area code): _____

For owners 2 or more, add pages as needed

Name all agencies accrediting the institution. For each agency, include name, address, telephone number, and whether the agency is recognized by the U.S. Department of Education. [(261B.4(9))] Attach copies of accreditation certificates of status for each agency. If the Iowa location is not accredited, provide accrediting agency certification that the Iowa location will be granted accreditation upon approval by the College Student Aid Commission. Provide documentation that every location of applicant school is approved by the accrediting agency and in good standing, for all locations throughout the world.

Accrediting agency 1

Name: ACCREDITING COMMISSION OF CAREER SCHOOLS AND COLLEGES
Suite: 302
Street: 2101 WILSON BLVD
City: ARLINGTON
State: VA
Zip: 22201
Country: USA
Telephone Number (including country or area code): 703-247-4212
Contact Person: _____

Is this agency recognized by the U. S. Department of Education? Yes [] No

Accrediting Agency 2

Name: _____
Suite: _____
Street: _____
City: _____
State: _____
Zip: _____
Country: _____
Telephone Number (including country or area code): _____
Contact Person: _____

Is this agency recognized by the U. S. Department of Education? Yes No

Accrediting Agency 3

Name: _____
Suite: _____
Street: _____
City: _____
State: _____
Zip: _____
Country: _____
Telephone No. (including country or area code): _____
Contact Person: _____

Is this agency recognized by the U. S. Department of Education? Yes No

Accrediting Agency 4+

Respond on a separate page:

Describe the procedures followed by the school for permanent preservation of student records. [(261B.4(12))]

Vatterott college - Sunset Hills keep student records locked in the Registrar's office for 5 years. After 5 years, the files are moved to a secure storage facility off-campus. At all times, files and records are kept in a secure location, protected against damage and loss.

Provide the contact information to be used by students and graduates who seek to obtain transcript information.

Name: Adelle Sue Robinson
Suite: _____
Street: 12970 Maury Industrial Drive
City: Sunset Hills
State: MO
Zip: 63127
Country: _____
Telephone Number. (including country or area code): 314-427-2959

List the states and approval or registration agencies for all states in which the school operates or maintains a presence.

please see attached for complete contact information.

State	Agency Name	Address	Contact Person	Telephone Number
Missouri	Dept. of Higher Edu.		LeRoy Wade	
Kansas	K.S. Board of Regents		Jacqueline Johnson	
NE	Nebraska Dept. of Edu		Carol Ewell	

Describe the academic and instructional methodologies and delivery systems to be used by the school and the extent to which the school anticipates each methodology and delivery system will be used,, including, but not limited to, classroom instruction, correspondence, internet, electronic telecommunications, independent study, and portfolio experience evaluation. [(261B.4(13))]

Each program at Vatterott college - Sunset Hills online is provided in a technological fashion. The online environment demands a high level of competency in computer operation. Please see the attached for a further detailed description.

Provide the name of every other State of Iowa agency required to approve the applicant school in Iowa, the school's contact person at the agency and the current status of that approval. Attach documentation in the form of a letter or certificate for each agency. *None.*

Agency Name	Contact Person	Telephone Number	Approval Status

Is the school subject to a limitation, suspension or termination (LST) order issued by the U.S. Department of Education?

Yes No

If yes, explain below.

Provide the name and contact information for a U. S. Department of Education official who can verify the LST statement.

Do you:

Enroll students in Iowa? Yes No
Employ Iowa faculty? Yes No

Do you intend to:

Enroll students in Iowa? Yes No
Employ Iowa faculty? Yes No

Describe current operations or plans to enroll students in Iowa or employ Iowa faculty.

Currently, the school does not enroll students or employ any Iowa residents. The school plans on conducting a national advertising campaign of its online programs to be offered in Iowa. Please see the attached for a further description.

Name, address, and telephone number of full-time employees in Iowa. None.

Name: _____
Suite: _____
Street: _____
City: _____
State: _____
Zip: _____
Country: _____
Telephone Number (including country or area code): _____

Will your school comply with Iowa Code section 261B.7 limiting the use of references to the Secretary of State, State of Iowa, or College Student Aid Commission in promotional material (See the Iowa Code for details)

Yes No

Will your school comply with the requirements of Iowa Code section 261.9(1)"e" to "g"? [

(See the Iowa Code for details.) Yes No

Does the school agree to file annual reports that the Commission requires from all Iowa colleges and universities?

Yes No

Attached a copy of the applicant school's most recent audit prepared by a certified public accounting firm no more than 12 months prior to the application and state below where, in the audit report, there is evidence that the auditor is providing an unqualified opinion.

Attached is the most recent audit report.

Describe how students will be provided with access to learning resources, including appropriate library and other support services requisite for the schools' degree programs.

Students will have access to the library Resource Center, which contains the necessary materials in sufficient quantity and scope to adequately support the level of education and training at Vatterott College - Summit Hills. Periodicals, journals, and databases are reviewed and updated on an ongoing basis. Please see the attached for further information on the Learning Resource Center.

Provide evidence that faculty within an appropriate discipline are involved in developing and evaluating curriculum for the program(s) to be registered in Iowa.

The school utilizes Program Advisory Committees for each program. The majority of the committee is made up of employees representing the major occupation for which training is provided. At least two meetings are conducted annually where members review curriculum, comment on content, and propose changes. Please see page 44 of the campus catalog for a listing of committee members.

Provide evidence that the school has adequate physical facilities appropriate for the program(s) to be offered and are located in the state. Include a copy of a signed agreement for a facility purchase or lease or option to purchase or lease. Please include a photograph of the location.

The programs offered are completely online. The server is located off-site at the eCollege facilities. The link for our Summit Hills location is attached.

Include a statement, signed by the chief executive officer of the applicant school, on school letterhead, demonstrating the school's commitment to the delivery of programs located in Iowa, and agreeing to provide alternatives for students to complete programs at other institutions if the applicant school closes the program before students have completed their courses of study.

Statement may be in an attached document.

Provide an organizational plan that shows the location and physical address, telephone number, fax number and contact information for all internet-based and site-based educational locations, administrative, and service centers operated by the applicant and any parent organization.

The school is owned by Vatterott Educational Center, Inc, which is located at 9200 Olive Blvd, Ste 222, Olathe, Mo. 63132. The phone number is 314-264-1849 and the fax is 314-264-1501. Please see the attached for further description.

Provide documentation showing the school's policy for the resolution of student and graduate comments and complaints. Provide complete contact information to which complainants may be referred.

The school's policy for the resolution of student and graduate comments and complaints is located on page 48 of our campus catalog.

Provide a copy of a current Certificate of Authority provided by the applicant's home state and the Iowa Secretary of State.

A copy of a current certificate of authority from Missouri is attached.

Provide the U.S. Department of Education cohort default rate for each associated organizational entity for which the U.S. Department of Education reports a cohort default rate.

The most recent cohort default rate reported by the U.S. Department of Education is 11.7. Please see the letter from the Department of Education attached.

Provide the average debt upon graduation of individuals completing programs at each branch location and the entire organization,

The average debt upon graduation for our Sunset Hill - online campus is \$21,421.00.

Provide the U. S. Department of Education cohort graduation rate for each branch location and the total organization, showing rates for graduates of diploma, two-year, and four-year, programs if those rates are reported to the U. S. Department of Education National Center for Education Statistics.

The most recent cohort rate is 11.3. Please see the attached letter from the U.S. Department of Education.

SIGNATURE

Applicant School Chief Executive Officer

Pamela S. Bell
Name

CEO/President
Title

Pamela S. Bell
Signature

Jan 20 2011
Date

If any information in this application changes between the time of application Commission action, the school must inform the Commission by filing an Amended Application clearly indicating the information which is being amended. Amendments must be received before the Commission takes action.

Attached herewith is the Vatterott College – Sunset Hills response to the College Student Aid Commission Application for Approval and Registration of Postsecondary School. We are pleased to have the opportunity to supply this response.

Describe the procedures followed by the School for permanent preservation of student records.

The school keeps all student records locked in the Registrar's office located in Sunset Hills, Mo. After 5 years, the files are moved to a secure storage area.

List the states and approval or registration agencies for all states in which the school operates or maintains a presence.

Missouri – Missouri Department of Higher Education
3515 Amazonas Drive, Jefferson City, MO 65109
573-751-2361
Contact: Mr. Leroy Wade

Nebraska – Nebraska Department of Education
301 Centennial Mall South
Lincoln, NE 68509
402-471-2295
Contact: Carol Grell

Kansas – Kansas Board of Regents
1000 SW Jackson, Ste 520
Topeka, KS 66612
785-296-3421
Contact: Jacqueline Johnson

Describe the academic and instructional methodologies and delivery systems to be used by the school and the extent to which the school anticipates each methodology and delivery system will be used, including but not limited to, classroom instruction, correspondence, internet, electronic communications, independent studies, and portfolio experience evaluation.

Vatterott College partners with eCollege to offer students an interactive learning experience. Each student who enrolls in a Vatterott College online program will be issued a user name and password which provides unlimited access to the online learning system. This system was selected for its ability to create learning content using web based tools; develop custom learning paths for individual students or groups; facilitate student participation, communication, and collaboration; and evaluate student's work using assessment capabilities for outcomes. eCollege applications are intuitive and easy to use for students and instructors and are built on a scalable enterprise technology that facilitates growth and performance.

The eCollege Learning Management System provides the following functionality to maintain constant communication between the student and faculty members:

- An announcements section to update students on important events happening inside and outside of the classroom.
- Discussion boards which allow the instructors and students to communicate asynchronously throughout each week.
- Live chat functionality to allow for real-time interaction and real-time lecture presentations
- Recorded lectures so the students can view presentations asynchronously

The eCollege Learning Management System also provides the following to communicate with the students:

- A "What's new" section to alert the students to any new materials that have been added since they last logged in
- Gradebook feedback functionality so the student know exactly where they stand in the course
- Email and discussion board functionality for answering student questions/concerns.

Provide the name of every other State of Iowa agency required to approve the applicant school in Iowa, the school's contact person at the agency and the current status of that approval.

Vatterott College – Sunset Hills does not require approval from any other agency in the state of Iowa.

Describe the current operations or plans to enroll students in Iowa or employ Iowa faculty.

Vatterott College – Sunset Hills Online plans to conduct national marketing and advertising of the online programs to be offered in Iowa, to potentially include national television and Internet advertisements. In these advertisements, the School would *not* specifically target the residents of Iowa or any other state. Indeed, the School would not engage in any marketing or recruiting activity designed specifically to target Iowa residents (e.g., placing advertisements in Iowa papers, running advertisements on Iowa-based television or radio stations, mailing Iowa residents written materials).

The School would *not* plan to physically recruit for its online programs in Iowa, or to otherwise engage in any form of solicitation that specifically contacts or targets Iowa residents. The College does, however, expect that information concerning its online programs would be available at the Vatterott College – Des Moines location.

Also, the School does not presently employ an instructor from the state of Iowa.

Description of how students are provided access to learning resources, including appropriate library and other support services requisite for the schools degree programs.

Learning Resource Center/Library

Vatterott College Learning Resource Center (LRC)/Library provide materials to support the mission and curriculum and assist each student to attain his/her educational goals.

The LRC/Library schedule is posted in the Learning Resource Center. Students also have access to an electronic library system to support the programs and students of the institution. The electronic library system will provide online reference databases accessible 24 hours a day via the Internet. The virtual library will give the student access to textbooks, periodicals, white papers, research journals, electronic resources, and resource materials that the students will use to complete their area of study.

Here are the databases that we have access to along with a brief description of each:

Associates Programs Source Plus contains more than 1,700 full-text journals as well as more than 200 full-text books. This database is designed specifically for the research needs of two-year colleges, and provides comprehensive coverage of the most relevant associates program level content.

Computers & Applied Sciences Complete covers the research and development spectrum of the computing and applied sciences disciplines. CASC provides indexing and abstracts for more than 2,000 academic journals, professional publications, and other reference sources from a diverse collection. Full text is also available for more than 950 periodicals.

GreenFILE offers well-researched information covering all aspects of human impact to the environment. Its collection of scholarly, government and general-interest titles includes content on global warming, green building, pollution, sustainable agriculture, renewable energy, recycling, and more. The database provides indexing and abstracts for more than 384,000 records, as well as Open Access full text for more than 4,700 records.

Library, Information Science & Technology Abstracts (LISTA) indexes more than 560 core journals, nearly 50 priority journals, and nearly 125 selective journals; plus books, research reports and proceedings. Subject coverage includes librarianship, classification, cataloging, bibliometrics, online information retrieval, information management and more. Coverage in the database extends back as far as the mid-1960s.

MEDLINE with Full Text is the world's most comprehensive source of full text for medical journals, providing full text for more than 1,450 journals indexed in *MEDLINE*. Of those, more than 1,430 have cover-to-cover indexing in *MEDLINE*, and of those, 553 are not found with full text in any version of *Academic Search*, *Health Source* or *Biomedical Reference Collection*.

Teacher Reference Center provides indexing and abstracts for 280 of the most popular teacher and administrator journals and magazines to assist professional educators.

Some specific titles are:

- **MEDICAL**
CMA Today
Drug Topics
Pharmaceutical Processing
Nursing

- **INFORMATION SYSTEMS**
 PC World
 Maximum PC
 Information Week
 Certification Magazine

- **BUSINESS**
 Time
 Newsweek
 New York Business Journal

Provide evidence that faculty within an appropriate discipline are involved in developing and evaluating curriculum for the programs to be registered in Iowa.

Vatterott College has regular programmatic meetings in which the faculty can express their views with regard to the curriculum, as well as other concerns they may have. Additionally, Vatterott College reaches out to the business community. There are Program Advisory Committees (PAC) that meet twice per year. The PAC for each program consists of companies in the respective field of study and provides input into the curriculum and delivery of the program.

Provide evidence that the school has adequate physical facilities appropriate for the programs to be offered and are located in the state. Include a copy of a signed agreement for a facility purchase or lease. Please include a photograph of the location.

The programs offered are entirely based online. The server is located off-site at the eCollege facilities.
 Pearson eCollege Headquarters
 4900 S. Monaco Street, Suite 200
 Denver, CO 80237
 Local: 303.873.7400
 Fax: 303.873.7449

The lease for Vatterott College – Sunset Hills is attached.

Organizational Plan showing the location and physical address, telephone number, fax number, and contact information for all internet based and site based educational locations, administrative, and service centers operated by the applicant and any parent organization.

Vatterott College – Sunset Hills
 12790 Maurer Industrial Drive
 Sunset Hills, Missouri 63127

Phone 314-843-4200
Fax 314-843-1709

Parent Company-
Vatterott Educational Centers, Inc.
9200 Olive Blvd, Ste 222
Olivette, Missouri 63132
Phone 314-264-1500
Fax 314-264-1501

Addendum – Tuition and Fees
Page: 1

Program	Degree	Weeks	Tuition	Registration Fee	Lab/Tech nology Fee	Total
Applied Electrical Technology	A.O.S.	90	\$33,000	\$100	\$2,250	\$35,350
Building Maintenance Mechanic	Diploma	60	\$21,600	\$100	\$1,500	\$23,200
Building Maintenance Technology	A.O.S.	90	\$33,000	\$100	\$2,250	\$35,350
Business Management - Online	A.O.S.	70	\$22,000	\$100	\$1,800	\$23,900
Business Management	A.O.S.	70	\$27,900	\$100	\$1,750	\$29,750
Computer Technology	Diploma	60	\$21,600	\$100	\$1,500	\$23,200
Cosmetology - Day (50 Week)	Diploma	1500 (Clock Hours)	\$14,500	\$100	\$1,000	\$15,600
Cosmetology - Night (60 Week)	Diploma	1500 (Clock Hours)	\$14,500	\$100	\$1,000	\$15,600
Electrical Mechanic	Diploma	60	\$21,600	\$100	\$1,500	\$23,200
Heating, Air Conditioning & Refrigeration Mechanic	Diploma	60	\$21,600	\$100	\$1,500	\$23,200

Addendum – Tuition and Fees

Program	Degree	Weeks	Tuition	Registration Fee	Lab/Tech nology Fee	Total
Heating, AC & Refrigeration Technology	A.O.S.	90	\$33,000	\$100	\$2,250	\$35,350
Information Systems Security	Diploma	60	\$18,600	\$100	\$1,500	\$20,200
Information Systems Security - Online	Diploma	60	\$18,600	\$100	\$1,500	\$20,200
Information Systems Technology	A.O.S.	90	\$33,000	\$100	\$2,250	\$35,350
Medical Assistant	A.O.S.	70	\$27,900	\$100	\$1,750	\$29,750
Medical Assistant - Online	A.O.S.	70	\$22,000	\$100	\$1,800	\$23,900
Medical Billing & Coding	A.O.S.	70	\$27,900	\$100	\$1,750	\$29,750
Medical Billing & Coding - Online	A.O.S.	70	\$22,000	\$100	\$1,800	\$23,900
Network and Information Systems	Diploma	60	\$21,600	\$100	\$1,500	\$23,200

Program	Degree	Weeks	Tuition	Registration Fee	Lab/Tech nology Fee	Total
Computer Systems and Network Technology	A.O.S.	90	\$33,000	\$100	\$2,250	\$35,350
Computer Science and Information Systems Technology	BS	170	\$65,000	\$100	\$4,250	\$69,350
Network Engineering and Computer Technology	BS	170	\$65,000	\$100	\$4,250	\$69,350

Please note that books, supplies, and uniforms are not included in the above prices. As a convenience to students these items may be purchased from Vatterott College – Sunset Hills. Prices of these items are subject to change and will include the applicable sales tax.

*Please note the cost of the A.O.S. programs include the cost of the Diploma program. The cost of the B.S. programs includes the cost of the Diploma and A.O.S. programs.

CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

Vatterott Educational Centers, Inc.
For the Periods from November 5, 2009 Through
December 31, 2009 (Successor), January 1, 2009 Through
November 4, 2009 (Predecessor), and the Year Ended
December 31, 2008 (Predecessor)
With Report of Independent Auditors

Vatterott Educational Centers, Inc.

Consolidated Financial Statements
and Other Financial Information

For the Periods from November 5, 2009 Through December 31, 2009 (Successor), January 1,
2009 Through November 4, 2009 (Predecessor), and the Year Ended December 31, 2008
(Predecessor)

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Report of Independent Auditors

The Board of Directors
Vatterott Educational Centers, Inc.

We have audited the accompanying consolidated balance sheets of Vatterott Educational Centers, Inc. (the Company) as of December 31, 2009 (Successor) and 2008 (Predecessor), and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the period from November 5, 2009 through December 31, 2009 (Successor), the period from January 1, 2009 through November 4, 2009 (Predecessor), and the year ended December 31, 2008 (Predecessor). 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 auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 Vatterott Educational Centers, Inc. at December 31, 2009 (Successor) and 2008 (Predecessor), and the consolidated results of its operations and its cash flows for the period from November 5, 2009 through December 31, 2009 (Successor), the period from January 1, 2009 through November 4, 2009 (Predecessor), and the year ended December 31, 2008 (Predecessor), in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2010, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying other financial information, which includes the calculation of the Title IV 90/10 revenue test, related-party transactions, and combining statement of income before income taxes required by the U.S. Department of Education, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as whole.

Ernst + Young LLP

April 9, 2010

Vatterott Educational Centers, Inc.

Consolidated Balance Sheets

	December 31,	
	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,000,396	\$ 8,551,871
Accounts receivable, net	11,294,338	29,489,978
Due from Holdings	—	3,700,000
Inventories	1,372,867	1,085,727
Deferred income taxes	85,625	197,054
Income taxes refundable	3,963,399	—
Prepaid expenses	2,721,794	2,210,425
Total current assets	<u>22,438,419</u>	<u>45,235,055</u>
Property and equipment, net	31,854,514	22,523,897
Due from Holdings	—	51,657,228
Goodwill	266,201,139	107,389,289
Other intangible assets, net	75,784,355	1,247,647
Total assets	<u>\$ 396,278,427</u>	<u>\$ 228,053,116</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,628,275	\$ 4,097,041
Accrued expenses	8,667,295	8,122,757
Current portion of capital lease obligations	1,487,264	1,318,827
Deferred tuition revenue	10,736,435	31,620,264
Total current liabilities	<u>22,519,269</u>	<u>45,158,889</u>
Deferred income taxes	48,628,272	11,201,057
Due to Holdings	1,787,376	—
Capital lease obligations, net of current portion	3,237,325	2,833,368
Deferred rent obligation	6,911,062	8,990,939
Other long-term liabilities	9,001,774	—
Stockholders' equity:		
Common stock, \$10 par value, 3,000 shares authorized, 51 shares issued and outstanding	510	510
Additional paid-in capital	303,606,946	111,197,826
Retained earnings	585,893	48,670,527
Total stockholders' equity	<u>304,193,349</u>	<u>159,868,863</u>
Total liabilities and stockholders' equity	<u>\$ 396,278,427</u>	<u>\$ 228,053,116</u>

See accompanying notes.

Vatterott Educational Centers, Inc.

Consolidated Statements of Income

	Successor	Predecessor	Pro Forma (unaudited)	
	November 5, 2009 Through December 31, 2009	January 1, 2009 Through November 4, 2009	January 1, 2009 Through December 31, 2009	Year Ended December 31, 2008
Revenues	\$ 21,873,892	\$ 119,231,773	\$ 141,105,665	\$ 112,779,093
Costs and expenses:				
Instructional and educational support	9,629,028	49,530,276	59,159,304	49,411,246
Selling and promotional	2,988,202	14,799,118	17,787,320	16,480,516
General and administrative	8,155,546	29,332,107	37,487,653	30,055,323
Total costs and expenses	20,772,776	93,661,501	114,434,277	95,947,085
Income from operations	1,101,116	25,570,272	26,671,388	16,832,008
Other income (expense):				
Interest expense	(55,950)	(276,013)	(331,963)	(244,600)
Interest income	384	1,039	1,423	514
Stock compensation expense	(71,889)	(8,616,631)	(8,688,520)	(430,455)
	(127,455)	(8,891,605)	(9,019,060)	(674,541)
Income before income taxes	973,661	16,678,667	17,652,328	16,157,467
Income tax provision	387,768	6,892,765	7,280,533	6,169,873
Net income	\$ 585,893	\$ 9,785,902	\$ 10,371,795	\$ 9,987,594

See accompanying notes.

Vatterott Educational Centers, Inc.

Consolidated Statements of Changes in Stockholders' Equity

	Common Stock	Additional	Retained	Total
	Shares	Amount	Paid-In	Earnings
			Capital	
Predecessor				
Balance at December 31, 2007	51	510	110,767,371	38,682,933
Net income	-	-	-	9,987,594
Stock-based compensation expense	-	-	430,455	-
Balance at December 31, 2008	51	510	111,197,826	48,670,527
Net income	-	-	-	9,785,902
Distribution to stock option holders	-	-	(1,045,438)	-
Settlement of intercompany balances	-	-	(86,217,494)	-
Stock compensation expense	-	-	8,616,631	-
Income tax benefit related to stock option settlement	-	-	5,967,813	-
Balance at November 4, 2009	51	\$ 510	\$ 38,519,338	\$ 58,456,429
				\$ 96,976,277
Successor				
Balance at November 5, 2009	51	\$ 510	\$ 303,535,057	\$ -
Net income	-	-	-	585,893
Stock compensation expense	-	-	71,889	-
Balance at December 31, 2009	51	\$ 510	\$ 303,606,946	\$ 585,893
				\$ 304,193,349

See accompanying notes.

Vatterott Educational Centers, Inc.

Consolidated Statements of Cash Flows

	Successor	Predecessor	
	November 5, 2009 Through December 31, 2009	January 1, 2009 Through November 4, 2009	Year Ended December 31, 2008
Operating activities			
Net income	\$ 585,893	\$ 9,785,902	\$ 9,987,594
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,865,371	5,123,706	6,312,808
Deferred income taxes	(1,249,609)	10,127,290	1,471,400
Stock-based compensation	71,889	8,616,631	430,455
Changes in operating assets and liabilities:			
Restricted cash	-	-	204,176
Accounts receivable	11,110,090	7,085,550	(3,393,910)
Inventories	(230,538)	(56,602)	(311,066)
Prepaid expenses	(290,104)	(221,288)	(549,214)
Income taxes refundable	-	(3,963,399)	-
Accounts payable	(1,872,554)	(596,214)	1,712,923
Accrued expenses and other liabilities	(474,058)	(267,935)	1,533,514
Deferred tuition revenue	(10,213,565)	(7,775,963)	712,513
Net cash provided by operating activities	1,302,815	27,857,678	18,111,193
Investing activities			
Acquisition of other intangible assets	(27,980)	(30,000)	-
Purchases of property and equipment	(298,187)	(3,247,116)	(4,504,669)
Net cash used in investing activities	(326,167)	(3,277,116)	(4,504,669)

Vatterott Educational Centers, Inc.

Consolidated Statements of Cash Flows (continued)

	Successor		Predecessor
	November 5, 2009 Through December 31, 2009	January 1, 2009 Through November 4, 2009	Year Ended December 31, 2008
Financing activities			
Intercompany receipt from Holdings	1,787,376	—	(11,587,052)
Contribution from parent	492,021	—	—
Dividend to Holdings	—	(1,045,438)	—
Principal payments on capital lease obligations	(255,649)	(1,226,729)	(1,322,089)
Intercompany advance to Holdings	—	(30,860,266)	—
Net cash provided by (used in) financing activities	<u>2,023,748</u>	<u>(33,132,433)</u>	<u>(12,909,141)</u>
Increase (decrease) in cash and cash equivalents	3,000,396	(8,551,871)	697,383
Cash and cash equivalents at beginning of period	—	8,551,871	7,854,488
Cash and cash equivalents at end of period	<u>\$ 3,000,396</u>	<u>\$ —</u>	<u>\$ 8,551,871</u>
Supplemental disclosures of cash flow information			
Interest paid	<u>\$ 55,950</u>	<u>\$ 276,013</u>	<u>\$ 244,600</u>
Income taxes paid	<u>\$ —</u>	<u>\$ 1,366,863</u>	<u>\$ 200,000</u>
Supplemental disclosure of noncash financing activity			
Fixed assets acquired under capital leases	<u>\$ 21,072</u>	<u>\$ 2,033,699</u>	<u>\$ 2,365,711</u>
Fixed assets acquired with landlord construction allowances	<u>\$ —</u>	<u>\$ 400,000</u>	<u>\$ 2,775,000</u>

See accompanying notes.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements

December 31, 2009

1. Organization/Description of Business

Vatterott Educational Centers, Inc. (the Company) is an indirect wholly owned subsidiary of Vatterott Acquisition Company. The Company operates private career institutions delivering quality vocational and technical training to consumers in the postsecondary market. A wide range of courses is offered, including heating/air conditioning/refrigeration, computer technology, electrical mechanics, medical and dental assisting, court reporting, culinary arts, cosmetology, welding, and drafting. The Company is based in St. Louis, Missouri, and has educational branches under the following names: Vatterott College in Missouri, Illinois, Iowa, Kansas, Nebraska, Ohio, and Oklahoma; Court Reporting Institute and Vatterott Educational Centers in Texas; Vatterott Career College in Tennessee; and L'Ecole Culinaire in Missouri and Tennessee.

As an educational institution, the Company is subject to licensure from various accrediting and state authorities and other regulatory requirements of the United States Department of Education (USDE).

2. Acquisition and Basis of Presentation

On November 4, 2009 (the acquisition date), Vatterott Acquisition Company (VAC), an entity controlled through various partnership arrangements by TA Associates, acquired 100% of the outstanding common stock and voting interests of Vatterott Education Holdings, Inc. (Holdings), the Company's ultimate parent (the Acquisition). The Company accounted for the transaction in accordance with Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 54, resulting in the new owner's investment basis being transferred to and reflected in the Company's consolidated financial statements as of November 4, 2009.

The acquisition date fair value of consideration transferred by VAC totaled \$306,529,999, which consisted of the following:

Fair value of consideration transferred:	
Cash	\$ 305,229,551
Fully vested and exercisable stock options	<u>1,300,448</u>
Total	<u>\$ 306,529,999</u>

In addition, VAC contributed \$492,021 of cash to the Company for working capital purposes. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The Company obtained third-party valuations of certain intangible and fixed assets.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

2. Acquisition and Basis of Presentation (continued)

At November 4, 2009 (<i>dollars in thousands</i>)	
Cash	\$ 492
Accounts receivable	22,404
Other current assets	8,172
Deferred tax assets recorded by Holdings	3,487
Property and equipment	32,540
Intangible assets	<u>78,617</u>
Total identifiable assets acquired	145,712
Deferred revenue	(20,950)
Other current liabilities	(13,641)
Deferred tax liabilities	(50,427)
Other long-term liabilities	<u>(19,873)</u>
Net identifiable assets acquired	40,821
Goodwill	<u>266,201</u>
Net assets acquired	<u><u>\$ 307,022</u></u>

Of the \$78,617,000 of acquired intangible assets, \$64,317,000 was assigned to trademarks, accreditation, licenses, and Title IV Program participation rights that are not subject to amortization. The remaining \$14,300,000 was assigned to customer relationships that have a weighted-average useful life of approximately 10 months. For tax purposes, the transaction was accounted for as carryover basis, and as a result, only a portion of the goodwill and none of the intangible assets are expected to be deductible for income tax purposes.

At November 4, 2009, the contractual lease rates of several of the Company's campus facilities' leases were determined to be at above-market rates. As a result, the Company recorded an unfavorable lease liability of \$8,584,616 based on the discounted difference between the market rate and the contractual rate. Lease market rates were determined by an independent valuation firm based on analyses of comparable leases in the subject property's respective market area. For purposes of determining the unfavorable lease liability, contractual lease rates that were within 10% of the various market rates were considered to be market.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

2. Acquisition and Basis of Presentation (continued)

In addition, VAC is required to pay the former shareholders of Holdings an amount equal to the tax benefit that Holdings realizes from the deduction of certain payments made at closing to Holdings' stock options holders. This liability, \$7,702,000, has been reflected in other long-term liabilities in the above allocation and in the accompanying consolidated balance sheets.

The consolidated financial position and results of operations and cash flows of the Company for all periods prior to the acquisition date reflect the historical basis of accounting and are labeled Predecessor. The consolidated financial position at December 31, 2009, and the results of operations and cash flows of the Company for the period from the acquisition date to December 31, 2009, reflect the purchase and the new investment basis and are labeled Successor.

The Company recognized \$8,616,631 of compensation expense resulting from the acceleration of options (see Note 11) in the Predecessor period, which is included in stock compensation expense in the accompanying consolidated statements of income.

3. Summary of Significant Accounting Policies

Unless otherwise indicated, the Successor and the Predecessor follow the same significant accounting policies.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

Cash Equivalents and Restricted Cash

The Company considers all highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents.

The Company participates in the PELL Grant, Supplemental Educational Opportunity Grants, and Federal Student Loan programs. These programs are federally funded through the USDE. These funds are available to students who qualify under federal guidelines. The Company administers these funds in a fiduciary capacity.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

Revenues, Accounts Receivable, and Deferred Tuition Revenue

The Company bills students for tuition at the beginning of their academic term and recognizes tuition as revenue on a straight-line basis over that academic term. If a student withdraws from school prior to the completion of the academic term, the Company refunds the portion of tuition paid that, pursuant to its refund policy and applicable federal and state law and accrediting agency standards, is not entitled to be retained. Academic terms are typically 10 weeks in length with start dates that vary by school and program.

The Company monitors payments and collections from students and establishes an allowance for doubtful accounts based on historical write-off experience. The Company writes off accounts receivable balances when a student graduates or withdraws from school unless a payment plan has been established with the student and all payments are current. Payments from former students are recognized as recoveries when received.

The Company extends unsecured credit for tuition to a portion of students who are enrolled at its campuses. A substantial portion of the credit extended to students is repaid through the student's participation in various federal financial aid programs authorized by Title IV of the Higher Education Act of 1965 (HEA), as amended (Title IV Programs). Concentrations of credit risk with respect to trade receivables are limited due to students' participation in Title IV Programs, the large number of students composing the Company's student base, and their geographic dispersion throughout the states in which the Company's campuses are located.

Inventories

Inventories consist primarily of books and are valued at average cost.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs, which do not add to the value of the related assets or materially extend their original lives, are expensed as incurred.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

Depreciation of furniture, fixtures, and equipment is recognized using the straight-line method over the estimated useful lives of the assets ranging from three to seven years for new assets and two to four years for used assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the economic useful life of the improvement or the term of the related leases.

Goodwill and Other Intangible Assets

Goodwill and other indefinite-lived assets are subject to impairment tests annually or more frequently if impairment indicators arise. The Company has completed its annual impairment test and determined that there was no impairment of goodwill or other indefinite-lived assets. Definite-lived intangible assets are amortized over their estimated useful lives.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events and changes in business circumstances indicate that the carrying value of property, plant, and equipment may not be recoverable. Impairment losses are recognized based on fair value if expected cash flows of the related property and equipment are less than their carrying value.

Advertising

The Company expenses advertising costs as incurred, except for certain direct-response advertising that is amortized ratably over the effective period of the related publication. Prepaid advertising, included in prepaid expenses, totaled zero and \$22,695 at December 31, 2009 and 2008, respectively. Advertising expense, which is included in selling and promotional expenses, amounted to \$2,081,555, \$10,024,850, and \$11,273,618 for the Successor period from November 5, 2009 through December 31, 2009, the Predecessor period from January 1, 2009 through November 4, 2009, and the Predecessor year ended December 31, 2008, respectively.

Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, using enacted tax rates in effect for the year in which the differences are expected to reverse.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value because of their short duration to maturity.

Operating Leases

The Company leases its campus buildings and corporate headquarters under noncancelable operating leases. The Company recognizes rent expense for each lease on the straight-line basis, aggregating all future minimum rent payments, including any predetermined fixed escalations of the minimum rentals, and allocating such amounts ratably over the period from the date the Company takes possession of the leased premises until the end of the noncancelable term of the lease.

Tenant improvement allowances are recorded as a deferred rent obligation upon receipt and amortized to income over the lease term as a reduction of rent expense. The capital expenditures funded by these tenant improvement allowances are recorded as leasehold improvements. Tenant improvement allowances are treated as noncash transactions in the accompanying consolidated statements of cash flows, since the allowances are either paid directly to the contractor by the lessor or are paid to the Company by the lessor at essentially the same time as the Company pays the contractor. The Company received \$400,000 and \$2,775,000 in construction allowances for the Predecessor period from January 1, 2009 through November 4, 2009, and the Predecessor year ended December 31, 2008, and no such allowances in the Successor period from November 5, 2009 to December 31, 2009.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to periodically make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

Stock Compensation

The Company recognizes compensation cost for the fair value of equity awards with graded vesting on a straight-line basis.

Subsequent Events

The Company has evaluated subsequent events through April 9, 2010, the date these financial statements were available to be issued.

4. Accounts Receivable

Accounts receivable consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Trade accounts receivable	\$ 13,312,044	\$ 29,040,934
Other accounts receivable	276,840	1,954,695
	<u>13,588,884</u>	<u>30,995,629</u>
Less allowances for uncollectible amounts	2,294,546	1,505,651
	<u>\$ 11,294,338</u>	<u>\$ 29,489,978</u>

5. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Furniture, fixtures, and equipment	\$ 9,577,348	\$ 15,787,219
Leasehold improvements	23,281,912	27,307,020
	<u>32,859,260</u>	<u>43,094,239</u>
Less accumulated depreciation and amortization	1,004,746	20,570,342
	<u>\$ 31,854,514</u>	<u>\$ 22,523,897</u>

Depreciation expense was \$1,004,746, \$4,911,329, and \$5,447,500 for the Successor period from November 5, 2009 to December 31, 2009, the Predecessor period from January 1, 2009 through November 4, 2009, and the Predecessor year ended December 31, 2008, respectively.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

6. Other Intangible Assets

Other intangible assets consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Customer relationships	\$ 14,300,000	\$ 2,800,000
Accreditation, licenses, curriculum, and Title IV Program participation rights	51,317,000	2,200,000
Trademarks	13,000,000	—
Noncompete agreements	—	750,000
Other intangible assets	27,980	25,428
	<u>78,644,980</u>	<u>5,775,428</u>
Less accumulated amortization	2,860,625	4,527,781
	<u>\$ 75,784,355</u>	<u>\$ 1,247,647</u>

Customer relationships are amortized using the straight-line method over 10 months. Accreditation and licenses, Title IV Program participation rights, and trademarks are considered to have indefinite lives and therefore are not amortized. Other intangible assets are amortized using the straight-line method over five years. Amortization expense was \$2,860,625, \$212,377, and \$865,281 for the Successor period from November 5, 2009 to December 31, 2009, the Predecessor period from January 1, 2009 through November 4, 2009, and for the Predecessor year ended December 31, 2008, respectively.

The estimated future aggregate amortization expense as of December 31, 2009, is as follows:

2010	\$ 11,445,596
2011	5,596
2012	5,596
2013	5,596
2014	4,971
	<u>\$ 11,467,355</u>

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

7. Income Taxes

On January 1, 2009, the Company adopted the provisions of new guidance that clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The new guidance also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Company did not record any unrecognized tax benefits or interest and penalties on adoption of the new guidance. The Company's policy is to classify interest and penalties as part of its provision for income taxes. The Company's federal income tax returns for the year 2007 and thereafter are available for examination by the United States Internal Revenue Service. The Company files in numerous state jurisdictions with varying statutes of limitation. The Company's state income tax returns for 2006 through 2009 remain subject to examination by various state authorities.

The activity of the Company for the Successor period from November 5 through December 31, 2009, will be included in the consolidated federal income tax return of VAC. The Company calculates its income tax provision on a separate company basis. Current taxes payable are remitted to VAC. Prior to the Acquisition, the activity of the Company for the Predecessor periods is included in the consolidated federal income tax return of Holdings. Current taxes receivable for the period ended November 4, 2009, are payable to the previous owner under the terms of the Acquisition purchase agreement.

The provision for income taxes for the Successor period from November 5, 2009 through December 31, 2009, the Predecessor period from January 1, 2009 through November 4, 2009, and the Predecessor year ended December 31, 2008, differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as a result of state income taxes and nondeductible expenses for tax purposes.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

7. Income Taxes (continued)

The components of the income tax provision are as follows:

	<u>Successor</u>	<u>Predecessor</u>	
	<u>Period From</u>	<u>Period From</u>	
	<u>November 5,</u>	<u>January 1,</u>	
	<u>2009</u>	<u>2009</u>	
	<u>Through</u>	<u>Through</u>	<u>Year Ended</u>
	<u>December 31,</u>	<u>November 4,</u>	<u>December 31,</u>
	<u>2009</u>	<u>2009</u>	<u>2008</u>
Current:			
Federal	\$ —	\$ 2,086,899	\$ 4,197,993
State	—	646,397	500,436
	—	2,733,296	4,698,429
Deferred:			
Federal	360,687	3,921,088	1,311,884
State	27,081	238,381	159,560
	387,768	4,159,469	1,471,444
Total	<u>\$ 387,768</u>	<u>\$ 6,892,765</u>	<u>\$ 6,169,873</u>

Significant components of the Company's net deferred income tax assets and liabilities consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Deferred tax assets:		
Allowance for doubtful accounts	\$ 425,003	\$ 226,272
Property and equipment	—	4,025,553
Reserves	496,600	41,815
Net operating loss carryforwards	52,248	—
Total deferred tax assets	<u>973,851</u>	<u>4,293,640</u>
Deferred tax liabilities:		
Goodwill and other intangible assets	(47,011,923)	(15,297,643)
Property and equipment	(2,112,949)	—
Other	(391,626)	—
Total deferred tax liabilities	<u>(49,516,498)</u>	<u>(15,297,643)</u>
Net deferred tax liabilities	<u>\$ (48,542,647)</u>	<u>\$ (11,004,003)</u>

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

7. Income Taxes (continued)

Deferred tax assets include the tax effect of net operating loss carryforwards in various states. The net operating loss carryforward period varies from state to state. Due to the Company's historical earnings and future projections, the Company expects to utilize the losses within the next three years.

After consideration of all the evidence, both positive and negative, management has determined that no valuation allowance is necessary as of December 31, 2009 or 2008.

8. Related-Party Transactions

The Company is required to advance cash held in excess of \$9,000,000 to Holdings. As of December 31, 2009 and 2008, the Company had advanced approximately \$350,000 and \$55,350,000, respectively, to Holdings, which is included in due from Holdings in the accompanying consolidated balance sheets and is non-interest-bearing. Prior to the acquisition, the Company settled the intercompany balances with Holdings of approximately \$86,200,000 and accounted for the transaction as a capital transaction.

9. Lease Commitments

Vatterott leases its campus buildings and headquarters under noncancelable operating leases with initial terms of up to 12 years and renewal options.

Future minimum annual lease payments at December 31, 2009, are as follows:

2010	\$ 12,879,040
2011	12,277,872
2012	12,218,498
2013	10,339,049
2014	9,055,284
Thereafter	17,957,595
	<u>\$ 74,727,338</u>

Total rent expense for all operating leases was \$1,765,000, \$9,166,000, and \$10,342,000 for the Successor period from November 5, 2009 to December 31, 2009, the Predecessor period from January 1, 2009 through November 4, 2009, and the Predecessor year ended December 31, 2008, respectively.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

9. Lease Commitments (continued)

The Company leases furniture and equipment under several lease agreements, which are accounted for as capital leases. The assets and liabilities under capital leases are recorded at the net present value of the minimum lease payments. The assets are amortized over the related lease term.

Equipment held under capital leases, included in furniture, fixtures, and equipment, totaled \$6,244,000 and \$8,230,000 as of December 31, 2009 and 2008, respectively, and the related accumulated amortization totaled approximately \$311,000 and \$4,076,000 as of December 31, 2009 and 2008, respectively. Amortization expense on leased assets totaled approximately \$311,000, \$873,000, and \$1,274,000 for the Successor period from November 5, 2009 to December 31, 2009, the Predecessor period from January 1, 2009 through November 4, 2009, and the Predecessor year ended December 31, 2008, respectively.

As of December 31, 2009, future minimum lease payments under capital leases are as follows:

2010	\$ 1,759,051
2011	1,526,183
2012	1,176,244
2013	720,342
2014	<u>175,677</u>
Total minimum lease payments	5,357,497
Less amount representing interest	<u>632,908</u>
Present value of minimum lease payments, including current portion of capital lease obligations of \$1,487,264	<u>\$ 4,724,589</u>

Interest paid on capital lease obligations amounted to \$55,950, \$276,013, and \$244,600 for the Successor period from November 5, 2009 through December 31, 2009, the Predecessor period from January 1, 2009 through November 4, 2009, and the Predecessor year ended December 31, 2008, respectively.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

10. Employee Benefit Plans

The Company sponsors a 401(k) plan (the Vatterott Plan) for eligible employees who are employed by the Company for 90 days, have attained the age of 21, and have worked at least 1,000 hours during the plan year. The employees may elect to defer up to 60% of their salary, subject to Internal Revenue Service limits. The Company may make a matching percentage contribution on a discretionary basis as determined by the Company's Board of Directors. In 2009 and 2008, the Company elected to match 25% of employees' contributions up to the first 4% contributed. The Company's expense related to this plan was \$9,567, \$54,490, and \$69,343 for the Successor period from November 5, 2009 through December 31, 2009, the Predecessor period from January 1, 2009 through November 4, 2009, and the Predecessor year ended December 31, 2008, respectively.

11. Stock-Based Compensation

Prior to the Acquisition, the Company had a stock option plan for the benefit of management personnel, nonemployee directors, and others performing services for the Company. Up to 7 million shares of Holdings' common stock could be issued under the plan. Certain options under the plan vested ratably over the five- or three-year periods from the date of grant, while others vested ratably over the five-year period from the date of grant if certain EBITDA targets were met. Some automatically vested one day prior to the tenth anniversary of the grant date if those targets were not met, and others vested on a liquidity event if certain market conditions were met. All outstanding options under the plan became fully vested and were cashed out as part of the Acquisition.

The fair value of each options award granted between January 1, 2007 and December 31, 2008 was estimated on the date of grant using the Black-Scholes option-pricing model using the assumptions noted in the following table. Because the Company's shares are not publicly traded, the expected volatility is based on those of competitors in its industry.

	2008	2007
Risk-free rate	2.5%	5.0%
Expected life	2 years	3 years
Volatility	50.1%	43.0%
Dividend yield	-	-

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

11. Stock-Based Compensation (continued)

Activity related to the Company's old stock option plan for 2009 and 2008 was as follows:

	Number of Options	Weighted- Average Exercise Price
Outstanding at December 31, 2007	4,661,242	\$ 1.00
Forfeited	(310,000)	1.00
Granted	1,120,000	1.00
Outstanding at December 31, 2008	5,471,242	1.00
Forfeited	(50,000)	1.00
Granted	1,563,758	1.00
Exercised and cashed out	(6,985,000)	1.00
Outstanding at December 31, 2009	—	\$

The weighted-average grant date fair value for options granted during 2008 was \$2.47. The total fair value of options vested during 2008 was \$325,600.

During 2007, the Company modified option grants for one employee. The modification replaced certain expiration dates and in some circumstances changed the vesting terms such that the options will vest on a liquidity event if certain market conditions are met. As a result of the terms of the modification, \$858,239 in unrecognized compensation costs was recognized immediately prior to the Acquisition. In addition, during the Predecessor period from January 1, through November 4, 2009, \$3,530,576 of unrecognized compensation costs related to previously granted awards was recognized as a result of normal vesting and accelerated vesting due to the Acquisition.

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

11. Stock-Based Compensation (continued)

On August 31, 2009, in anticipation of the Acquisition, the Company granted 1,563,757 additional stock options with an exercise price of \$1.00 per share to members of management of the Company. These options vested upon, and only upon, a change of control in which the proceeds received by the Holdings' previous owners were in excess of three times the investment made by Holdings' previous owners. The options vested and were cashed out in connection with the Acquisition, and the Company recorded a compensation charge equal to the cashed out value (\$4,227,816) immediately prior to the close. All stock compensation charges are reflected in the accompanying statements of income under the stock compensation expense line item.

VAC adopted the 2009 Stock Option and Grant Plan (the VAC Plan) for the benefit of the Company's management personnel and nonemployee directors. Twenty-five percent of the option shares under the plan vest on the first anniversary of the grant date and the remaining 75% vest in 36 equal monthly installments at the end of each month following the first anniversary of the grant date. Certain of the stock options are subject to accelerated vesting or termination in certain circumstances.

The fair value of each options award granted under the VAC Plan in 2009 was estimated on the grant date using the Black-Scholes-Merton option pricing model that uses the assumptions noted in the following table. Because the Company's shares are not publicly traded, the expected volatility is based on that of competitors in its industry.

	<u>2009</u>
Risk-free rate	2.38%
Expected life	5 years
Volatility	63.0%
Dividend yield	—

Vatterott Educational Centers, Inc.

Calculation of Title IV 90/10 Revenue Test

December 31, 2009

The Company participates in various student financial aid programs. These programs are subject to periodic review by the USDE. Disbursements under each program are subject to disallowance and repayment by the Company.

The Company derives a substantial portion of its net revenues from financial aid received by its students under Title IV programs (Title IV Programs) administered by the USDE pursuant to the federal HEA, as amended. In order to continue to participate in Title IV Programs, the Company must comply with the standards set forth in the HEA and the regulations promulgated thereunder (the Regulations). Among other things, these Regulations require the Company to exercise due diligence in approving and disbursing funds and servicing loans; to limit the proportion of cash receipts for tuition, fees, and other institutional charges derived from non-Title IV Programs to not less than 10% of the total revenue derived from students enrolled in the Company's Title IV eligible educational programs (the 90/10 rule); and to exercise financial responsibility related to maintaining certain financial ratios and requirements.

With respect to the 90/10 rule, the Company received the following during the year ended December 31, 2009, under the following OPEID numbers:

OPEID No. 02599700 – Title IV Funds	<u>\$65,802,794</u>
Berkeley Division Total eligible cash receipts	\$74,762,512 = 88.02%
OPEID No. 02069300 – Title IV Funds	<u>\$10,235,193</u>
Quincy Division Total eligible cash receipts	\$11,766,699 = 86.98%
OPEID No. 02609200 – Title IV Funds	<u>\$20,576,443</u>
Des Moines Division Total eligible cash receipts	\$23,626,908 = 87.09%
OPEID No. 00750100 – Title IV Funds	<u>\$ 5,763,122</u>
Spring Valley Division Total eligible cash receipts	\$ 6,906,756 = 83.44%
OPEID No. 02119200 – Title IV Funds	<u>\$ 7,624,000</u>
Wheeler Division Total eligible cash receipts	\$ 8,946,067 = 85.22%

Vatterott Educational Centers, Inc.

Notes to Consolidated Financial Statements (continued)

11. Stock-Based Compensation (continued)

Stock option activity related to the VAC Plan since the acquisition date was as follows:

	<u>Number of Options</u>	<u>Weighted- Average Exercise Price</u>
Outstanding at November 5, 2009	–	\$ –
Issued	2,463,104	6.55
Outstanding at December 31, 2009	<u>2,463,104</u>	<u>\$ 6.55</u>

The weighted-average grant date fair value for the options granted under the VAC Plan in 2009 was \$0.70. At December 31, 2009, \$1,653,438 of unrecognized compensation costs related to nonvested awards is expected to be recognized over the terms of the various options. The weighted-average period over which the unrecognized compensation expense will be recognized is 2.43 years. No options vested in 2009 and no options are exercisable at December 31, 2009.

12. Commitments and Contingencies

The Company is a party to routine litigation incidental to its business, including, but not limited to, claims involving students or graduates and routine employment matters. While there can be no assurance as to the ultimate outcome of any litigation, management does not believe that any pending proceeding will result in a settlement or an adverse judgment that will have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

Because the Company did not meet the required USDE composite score, it has posted a letter of credit in the amount of \$28,544,625 at December 31, 2009, to enable it to continue to participate in federal Title IV Programs.

Other Financial Information

Vatterott Educational Centers, Inc.

Related-Party Transactions

December 31, 2009

There were no related-party transactions other than those disclosed in Note 8.

Vatterott Educational Centers, Inc.

Combining Statement of Income Before Income Taxes

Year Ended December 31, 2009

	Berkeley Division	Quincy Division	Des Moines Division	Omaha Division	Wheeler	Total
Net revenues	\$ 83,114,772	\$ 12,142,078	\$ 28,306,339	\$ 7,983,867	\$ 9,558,609	\$ 141,105,665
Costs and expenses:						
Instructional and educational support	30,499,423	6,070,179	12,455,652	5,730,283	4,403,767	59,159,304
Selling and promotional	9,760,709	2,055,053	3,515,348	1,002,380	1,453,830	17,787,320
General and administrative	18,359,784	4,457,581	8,418,381	2,968,456	3,283,451	37,487,653
Total costs and expenses	58,619,916	12,582,813	24,389,381	9,701,119	9,141,048	114,434,277
Income from operations	24,494,856	(440,735)	3,916,958	(1,717,252)	417,561	26,671,388
Interest expense	(81,595)	(134,507)	(86,855)	(26,738)	(2,268)	(331,963)
Interest income	533	—	890	—	—	1,423
Stock compensation expense	(8,688,520)	—	—	—	—	(8,688,520)
Income before income taxes	(8,769,582)	(134,507)	(85,965)	(26,738)	(2,268)	(9,019,060)
	\$ 15,725,274	\$ (575,242)	\$ 3,830,993	\$ (1,743,990)	\$ 415,293	\$ 17,652,328

Compliance Report



Ernst & Young LLP
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Vatterott Educational Centers, Inc.

We have audited the consolidated financial statements of Vatterott Educational Centers, Inc. (the Company) as of December 31, 2009 and for the period from November 5, 2009 through December 31, 2009 (Successor) and January 1, 2009 through November 4, 2009 (Predecessor), and have issued our report thereon dated April 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audit, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Company's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

April 9, 2010

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UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202
September 2010

Vatterott College
8580 Evans Avenue
Berkeley, MO 63134-2900
NL01

OPE ID: 025997
FY 2008 Cohort Default Rate: 11.3

RE: FY 2008 Official Cohort Default Rate Notification Letter

Dear President:

This letter officially notifies you of your school's fiscal year (FY) 2008 cohort default rate based on Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans made to students for attendance at your school. Your school's FY 2008 cohort default rate is shown above. Please note that even if your school is no longer participating in the student loan program(s), federal law requires the U.S. Department of Education (Department) to notify your school of its cohort default rate.

Since the Department is no longer mailing hardcopies of the cohort default rate notification letters to any schools, please refer to the website <http://www.ed.gov/offices/OSFAP/defaultmanagement/ecdr.html> for a description of the other files that the Department transmitted to you along with this letter.

WHAT FORMULA DID THE DEPARTMENT USE TO CALCULATE MY SCHOOL'S RATE?

The Department uses one of three methods for calculation of cohort default rates:

1. Official non-average rate for schools with 30 or more borrowers entering repayment,
2. Official average rate for schools with 29 or fewer borrowers entering repayment, and
3. Unofficial rate for schools with 29 or fewer borrowers entering repayment with less than three years of data.

For complete explanation of the three types of rates, please see Chapter 2.1 of the Cohort Default Rate Guide, How the Rates are Calculated, available at <http://ifap.ed.gov/DefaultManagement/guide/04CDRGuidePart2.html>.

WHAT TYPES OF LOANS DID THE DEPARTMENT INCLUDE IN MY SCHOOL'S RATE CALCULATION?

The Department included three types of loans in your school's cohort default rate calculation:

- 1) Federal Stafford Subsidized and Federal Stafford Unsubsidized Loans
- 2) Federal Direct Subsidized and Federal Direct Unsubsidized Loans
- 3) Federal Supplemental Loans for Students (Federal SLS Loans). Although rare, it is possible for Federal SLS loans to be included in your school's cohort default rate calculation.

WHAT LOAN RECORD DETAIL REPORT (LRDR) ACCOMPANIES THIS NOTIFICATION LETTER?

If your school's FY 2008 official cohort default rate is a non-averaged rate, the LRDR that accompanies this letter reflects all loans that went into repayment during FY 2008. If your school's FY 2008 official cohort default rate is an averaged rate, the LRDR that accompanies this letter reflects all loans that went into repayment during FY 2008, FY 2007 and FY 2006.

For more information on how to read the loan record detail report, please refer to Chapter 2.3 of the Cohort Default Rate Guide, Reviewing the Loan Record Detail Report, available at <http://ifap.ed.gov/DefaultManagement/guide/04CDRGuidePart2.html>.

WHAT SANCTIONS AND BENEFITS APPLY TO MY SCHOOL BASED ON THIS RATE?

According to the Higher Education Act of 1965 (HEA), as amended, the Higher Education Reconciliation Act of 2005 (HERA), Pub.L.109-71 and the Department's regulations, your school is not subject to any sanctions based on your school's FY 2008 cohort default rate. However, if your school's official FY 2008 cohort default rate is 25.0 percent or greater, the Department may provisionally certify your school when your school applies for recertification to participate in the Student Financial Assistance Programs. For more information about provisional certification, please refer to 34 C.F.R. Section 668.16(m)(1) and (2)(i) or contact the School Participation Management Division at 202-377-3173.

If your school's most recent official cohort default rate is less than 5.0 percent and your school is an eligible home institution that certifies/originates a loan to cover the cost of attendance in a study abroad program, your school is eligible for this benefit. Your school may disburse/deliver loan proceeds in a single installment and may choose to release loan proceeds to first-year, first-time borrowers prior to 30 calendar days after the first day of the borrower's program of study. Once your school receives notice from the Department that your school's official cohort default rate is 5.0 percent or greater, this benefit will end within 30 calendar days of the notification.

An institution with a cohort default rate of less than 10 percent for each of the three most recent fiscal years for which data are available, including eligible foreign institutions, may disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period. Such an institution is also no longer required to delay the delivery or disbursement of the first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers. (Refer to DCL ID: GEN-06-02; FP-06-01 <http://www.ifap.ed.gov/dpclletters/GEN0602.html>).

For more information on the sanctions and the benefits associated with official cohort default rates, please refer to Chapter 2.4 of the Cohort Default Rate Guide, Cohort Default Rate Effects, available at <http://ifap.ed.gov/DefaultManagement/guide/04CDRGuidePart2.html>.

WHY DOES THIS LETTER SAY THAT MY SCHOOL IS NOT SUBJECT TO SANCTIONS BUT MY RATES EXCEED THE SANCTION THRESHOLD?

If your school has official FY 2008, FY 2007, and FY 2006 cohort default rates that are 25.0 percent or greater or your school has an official FY 2008 cohort default rate that is greater than 40.0 percent, your school is NOT subject to the loss of FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility because your school met one or more of the following criteria:

FY 2008, FY 2007, FY 2006 Cohort Default Rates >= 25.0%	FY 2008 Cohort Default Rate > 40.0%
At least two of your school's three most recent cohort default rates are official average cohort default rates and would be less than 25.0 percent if the Department had calculated the rate using the data for that cohort fiscal year alone.	Your school's FY 2008 cohort default rate is an official averaged cohort default rate.
Thirty or fewer borrowers entered into repayment during your school's three most recent official cohort default rates.	
Your school submitted a successful participation rate index challenge/appeal based on your school's draft FY 2008 cohort default rate, official FY 2007 cohort default rate, or official FY 2006 cohort default rate.	
Your school entered into a settlement agreement with the U.S. Department of Education that supersedes any sanctions the Department would apply based on cohort default rate calculations.	

WHAT RIGHTS DOES MY SCHOOL HAVE TO APPEAL THIS RATE INFORMATION?

Based on your school's FY 2008 cohort default rate, your school may be eligible to submit the following adjustments/appeals:

Uncorrected Data Adjustment
<http://ifap.ed.gov/DefaultManagement/guide/04CDRGuidePart4.html>

Loan Servicing Appeal
<http://ifap.ed.gov/DefaultManagement/guide/04CDRGuidePart4.html>

New Data Adjustment
<http://ifap.ed.gov/DefaultManagement/guide/04CDRGuidePart4.html>

Averaged Rates Appeal
<http://ifap.ed.gov/DefaultManagement/guide/04CDRGuidePart4.html>

Thirty-or-fewer Borrowers Appeal
<http://ifap.ed.gov/DefaultManagement/guide/04CDRGuidePart4.html>

Your timeframe for submitting these adjustments and appeals begins on the sixth business day after the Department transmitted the cohort default rate notification package to the SAIG destination points. The Department announces the transmittal date for every cohort default rate distribution at <http://www.ifap.ed.gov>.

All schools must meet the established submission timeframes for cohort default rate adjustments and appeals. The Department will not review adjustments and appeals that any school submits outside of the established timeframes.

WHAT TOOLS AND INFORMATION ARE AVAILABLE TO HELP MONITOR AND MANAGE MY SCHOOL'S COHORT DEFAULT RATE?

Tools Information	Description	Contact Information
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<p>Cohort Default Rate Guide</p>	<p>http://www.ifap.ed.gov/DefaultManagement/finalcdrg.html. Reference tool designed by U.S. Dept of Education to help schools understand cohort default rates and various challenge/appeal/adjustment processes. Original hardcopy mailed with FY 1999 notification letter. The electronic version was revised August 2006 and may be found online.</p>	<p>May be printed from CDR Guide Link</p>
<p>Cohort Default Rate Guide Quick Reference</p>	<p>The Cohort Default Rate Guide Quick reference at http://ifap.ed.gov/drmaterials/attachments/CDRGQuickRef093005FINAL.pdf presents some of the key elements of the Guide in a more informal manner to give schools a summary of what they should do during the draft and official cohort default rate cycles.</p>	<p>May be printed from CDR Reference Link</p>
<p>Default Prevention and Mgmt Website</p>	<p>http://ifap.ed.gov/DefaultManagement/DefaultManagement.html. Contains valuable information for schools, guaranty agencies and borrowers. Contains link for eCDR process, including enrollment procedures and downloading instructions.</p>	<p>Default Prevention and Management 202-377-4259</p>
<p>eCDR Appeals</p>	<p>Electronic Cohort Default Rate Appeals Process</p> <p>eCDR Appeals facilitates the exchange of information between parties for three of the challenge/adjustment processes: Incorrect Data Challenge (IDC), Uncorrected Data Adjustments (UDA), and New Data Adjustments (NDA). The application allows schools to electronically submit these challenges and adjustment requests during a cohort default rate cycle, and allows data managers (guaranty agency or Direct Loan servicer) and Federal Student Aid (FSA) personnel to electronically view and respond to challenges and adjustment requests. The application tracks the entire life cycle of each challenge/adjustment request from the time the case is submitted until the time a decision is made and the case is closed.</p> <p>With the release of the 2009 cohort default rates in February 2011, the electronic process will replace the paper process of challenging and appealing CDRs for all Title IV schools, foreign and domestic. However, use of eCDR Appeals is optional for schools at this time. All users must complete the registration process to gain access to eCDR Appeals. The eCDR Appeals homepage contains a link to the Registration and User Account Guide, which gives step-by-step instructions for registration. Links to the User Guides for the three processes can also be found here, as well as a link to the Cohort Default Rate Guide.</p> <p>Schools should refer to IFAP (www.ifap.ed.gov), Schools Portal (fsa4schools.ed.gov) or the Default Prevention and Management website (http://www.ifap.ed.gov/DefaultManagement/)</p>	<p>Default Prevention and Management 202-377-4259</p>

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	DefaultManagement.html) for updated information on the eCDR Appeals process.	
Late Stage Delinquency Assistance (LSDA)	Process whereby schools work in collaboration with servicers or guarantors to identify and provide counseling to borrowers more than 240 days late on loan repayment. For Direct Loan schools, the website http://www.dlservicer.ed.gov/ identifies borrowers whose impending default will impact the school's cohort default rate. FFEL schools can obtain assistance for their late stage delinquent borrowers by contacting their servicer or guarantor.	Direct Loan Servicer 888-877-7658 (can guide you through the process)
National Student Loan Data System (NLSDS)	https://www.nlsdsfap.ed.gov . Offers schools the opportunity to request reports in extract or preformatted formats that can be retrieved through the Students Aid Internet Gateway(SAIG) account associated with the NLSDS User Id that requested the report. Listed below are some reports NLSDS offers.	NLSDS Customer Service at (800) 999-8219
Report name	Brief Description of the NLSDS Reports	
DRC035	School CDR Rate History Report provides school with a copy of the Loan Record Detail Report that lists students in default/repayment during the cohort period indicated.	
SCHER1	Enrollment Reporting Summary Report provides school users with the chronology of enrollment reporting events.	
DER001	Date Entered Repayment Report provides school users with a list of student borrowers with loan history who are scheduled to go into repayment during a specified date range.	
DRC015	School Repayment Information Loan Detail provides school users with the current repayment status of certain borrowers in FFEL/DL loan programs who attended a school during a specific period.	
SCH01B	Exit Counseling Report provides school users with exit counseling information on students who attended the requesting school and whose anticipated completion dates fall within a specified date range.	

Additional tools and information may be found in Chapter 3.2 of the Cohort Default Rate Guide, Monitoring Loan Repayment Status Year-Round, available at <http://ifap.ed.gov/DefaultManagement/guide/04CDRguidePart3.html>.

If you have any questions about this letter that are not answered in the Cohort Default Rate Guide, please contact Portfolio Performance Division via email at FSA.Schools.Default.Management@ed.gov or via phone at (202) 377-4259. Please be sure to include your Office of Postsecondary Education Identification Number (OPE ID) on all correspondence, as shown on page one of this letter.

sincerely,

Katrina Turner
Director
Portfolio Performance Division
Business Operations

Enclosures

Note: The Higher Education Opportunity Act (HEOA) enacted on 8/14/08 made a number of changes to the student aid programs including timeframes for the calculations of FFEL/DL Cohort Default Rates. On 10/28/09, the Department published in the Federal Register the regulations that will govern the calculation of default rates beginning with the FY 2009 cohort year. Under the new provisions, an institution's Cohort Default Rate (CDR) is calculated as the percentage of borrowers in the cohort who default before the end of the second fiscal year following the fiscal year in which the borrowers entered repayment.

The Department will issue the FY 2009 draft 3-Yr. cohort default in 2012. The standard 2-Yr. CDR will continue to be published along with the 3-Yr. rates until 2013. Beginning with the FY 2011 CDR in September 2014, 3 Yr. rates will be the only official rate and schools will be subject to benefits and sanctions based solely on these rates.

A trial sample of 3 Yr. CDRs was sent to institutions in Dec 2009 so that they could begin to consider what impact this additional cohort year might have on their default rates. Schools may want to increase their default rate initiatives in order to maintain cohort default rates within benefit range and avoid sanction criteria.

More information on 3-Yr. cohort default rates will be forthcoming.

OPEID: 025997
School Name: Vatterott College
City and State: Berkeley, MO 63134-2900

The Department's records indicate the following with regard to your school's loan program participation:

CERTIFIED FFEL

CERTIFIED DIRECT LOAN

Based on borrower participation in the FFEL Program and/or Direct Loan Program at your school, here are the FY 2008, FY 2007 and FY 2006 official cohort default rates on record for your school:

Fiscal Year 2008

- (1) Number of borrowers entering repayment: 3163
- (2) Number of borrowers who entered repayment and defaulted: 360
- (3) Official Cohort Default Rate: 11.3%
- (4) Rate Type: DU

Fiscal Year 2007

- (1) Number of borrowers entering repayment: 3440
- (2) Number of borrowers who entered repayment and defaulted: 489
- (3) Official Cohort Default Rate: 14.2%

(4) Rate Type: DU

Fiscal Year 2006

- (1) Number of borrowers entering repayment: 3176
- (2) Number of borrowers who entered repayment and defaulted: 353
- (3) Official Cohort Default Rate: 11.1%
- (4) Rate Type: DU

The rate type indicates the category of loans that the Department included in your school's cohort default rate:

FL-FFEL Program loans only

DL-Direct Loan Program loans only

DU- both FFEL Program and Direct Loan Program loans

For additional information on the methodology that the Department uses to calculate cohort default rates, please refer to the Chapter 2.1 of the Cohort Default Rate Guide, How the Rates are Calculated, available at <http://ifap.ed.gov/DefaultManagement/guide/04CDRGuidePart2.html>.