

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**MAYES UNIVERSITY, INC.**  
Orange Beach, Alabama

We have audited the accompanying balance sheet of Mayes University, Inc. (the Company) as of December 31, 2008 and the related statements of operations, stockholders' equity and cash flows for the period March 27, 2008 through December 31, 2008. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mayes University, Inc. as of December 31, 2008 and the results of its operations and its cash flows for the period March 27, 2008 through December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying footnote 4 on the Company's calculation of its Title IV 90/10 revenue test and footnote 2 on related party transactions are required by the U. S. Department of Education and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2009 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 grants.



San Diego, California  
June 2, 2009

**MAYES UNIVERSITY, INC.**  
**BALANCE SHEET**  
**December 31, 2008**

**ASSETS**

**Current assets:**

Cash	\$ 205,991
Prepaid expenses	2,028

Total current assets	208,019
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Property and equipment, net	1,686
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Total assets	<u>\$ 209,705</u>
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**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current liabilities:**

Accounts payable	\$ 3,545
Accrued expenses	10,994

Total current liabilities	14,539
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**Stockholders' equity:**

Common stock, \$1 par value, 10,000 shares authorized; 1,961 issued and outstanding	1,961
Additional paid-in capital	338,039
Accumulated deficit	(144,834)

Total stockholders' equity	195,166
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Total liabilities and stockholders' equity	<u>\$ 209,705</u>
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The accompanying notes are an integral part of these financial statements.

**MAYES UNIVERSITY, INC.**  
**STATEMENT OF OPERATIONS**  
**for the period March 27, 2008 through December 31, 2008**

Operating expenses:

Depreciation	\$ 349
General and administrative	<u>144,335</u>

Total operating expenses	<u>144,684</u>
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Loss before provision for income taxes	(144,684)
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<u>Provision for income taxes</u>	<u>(150)</u>
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Net loss	<u><u>\$ (144,834)</u></u>
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The accompanying notes are an integral part of these financial statements.

**MAYES UNIVERSITY, INC.**  
**STATEMENT OF STOCKHOLDERS' EQUITY**  
**for the period March 27, 2008 through December 31, 2008**

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at March 27, 2008	\$ -	\$ -	\$ -	\$ -
Stock issuance	1,961	338,039	-	340,000
Net loss	-	-	(144,834)	(144,834)
Balance at December 31, 2008	<u>\$ 1,961</u>	<u>\$ 338,039</u>	<u>\$ (144,834)</u>	<u>\$ 195,166</u>

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

**MAYES UNIVERSITY, INC.**  
**STATEMENT OF CASH FLOWS**  
**for the period March 27, 2008 through December 31, 2008**

<u>Cash flows from operating activities:</u>	
Cash paid to suppliers and employees	\$ (131,874)
Income taxes paid	<u>(100)</u>
Net cash used in operating activities	(131,974)
<u>Cash flows from investing activities:</u>	
Purchases of property and equipment	(2,035)
<u>Cash flows from financing activities:</u>	
Proceeds from stock issuance	<u>340,000</u>
Net increase in cash	205,991
<u>Cash, Beginning</u>	<u>-</u>
<u>Cash, Ending</u>	<u><u>\$ 205,991</u></u>

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

**MAYES UNIVERSITY, INC.**  
**STATEMENT OF CASH FLOWS**  
**for the period March 27, 2008 through December 31, 2008**

Reconciliation of net loss to net cash  
used in operating activities:

Net loss	\$ (144,834)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	349
Changes in assets and liabilities:	
Prepaid expenses	(2,028)
Accounts payable	3,545
Accrued expenses	<u>10,994</u>
Total adjustments	<u>12,860</u>
Net cash used in operating activities	<u><u>\$ (131,974)</u></u>

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

**MAYES UNIVERSITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the period March 27, 2008 through December 31, 2008**

Note 1: Summary of Significant Accounting Policies

The following items comprise the significant accounting policies of the Company. The policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Company's Activities

Mayes University, Inc. (the Company) is a Phoenix corporation, established for the purpose of investing in the for-profit education industry. The Company anticipates providing on-line higher learning education to students.

These financial statements reflect the balance sheet as of December 31, 2008 and the statement of operations, changes in stockholders' equity and cash flows for the period March 27, 2008 (date of inception) through December 31, 2008.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with an initial maturity of three months or less as cash or cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are reported at cost less accumulated depreciation. Depreciation is computed using the straight-line method for financial reporting purposes. Accelerated methods of depreciation are utilized for income tax purposes. The estimated useful life of computers and equipment is three years.

Income Taxes

The Company has elected to be taxed under the under the provisions of Subchapter S of the Internal Revenue Code. Therefore, earnings and losses are included in the stockholders' personal income tax returns and are taxed based on the stockholders' personal tax strategies. However, the Company is required to pay state income tax to the state of Arizona and an annual privilege tax to the state of Alabama. Accordingly no deferred taxes are recognized.

**MAYES UNIVERSITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the period March 27, 2008 through December 31, 2008**

Note 1: Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

For the period ended December 31, 2008, the Company incurred state taxes totaling \$150 for the state of Arizona and Alabama.

New Accounting Pronouncements

The FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies, among other things, the accounting for uncertain income tax positions. During December 2008, the FASB issued additional guidance FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which defers the application of FIN 48 for non public enterprises until fiscal years beginning after December 15, 2008 if certain criteria are met. Management has not yet determined the impact of adopting FIN 48 to the financial statements.

Concentration of Credit Risk

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

Note 2: Related Party Transactions

The Company intends, at a future date, to participate in Student Financial Aid (SFA) programs administered by the U.S. Department of Education pursuant to the Higher Education Act of 1965, as amended (HEA). Once eligible, the Company must comply with the regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements.

During 2008, the stockholders paid \$340,000 for equity in the Company.

During 2008, the Company made reimbursements to an affiliated company owned by the stockholders. The Company reimbursed the affiliate \$11,549 for organizational and other expenses.

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

**MAYES UNIVERSITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**for the period March 27, 2008 through December 31, 2008**

Note 3:        Property and Equipment

Property and equipment consists of the following as of December 31, 2008:

Computers and equipment	\$ 2,035
Less: accumulated depreciation	<u>(349)</u>
	<u>\$ 1,686</u>

Note 4:        Title IV 90/10 Revenue Test

The Company intends, at a future date, to obtain eligibility to participate in SFA programs from the U.S. Department of Education. Upon gaining eligibility, the Company would be required to comply with the Title IV 90/10 Revenue Test. As such, the Title IV 90/10 Revenue Test is not applicable to these financial statements.