

CORINTHIAN COLLEGES INC

Form 10-K

September 25, 2003

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2003

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 0-25283

Corinthian Colleges, Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

33-0717312

*(I.R.S. Employer
Identification No.)*

**6 Hutton Centre Drive,
Suite 400, Santa Ana, California**

(Address of principal executive offices)

92707

(Zip Code)

Registrant's telephone number, including area code:

(714) 427-3000

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.0001 par value per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this

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Form 10-K or any amendment to this Form 10-K. _____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act.) Yes No

As of December 31, 2002, the aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately \$1.573 billion, based upon the closing sales price of the Common Stock as reported on Nasdaq National Stock Market on such date. For this computation, the Company has excluded the market value of all common stock beneficially owned by all executive officers and directors of the Company and their associates as a group. This determination of affiliate status for purposes of this computation is not necessarily a conclusive determination for other purposes. As of September 3, 2003, the number of outstanding shares of voting and non-voting common equity of the registrant was approximately 43,940,031.

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INTRODUCTION AND NOTE ON FORWARD LOOKING STATEMENTS

Corinthian Colleges, Inc. (hereinafter the Company or Corinthian) is a Delaware corporation; its principal executive offices are located at 6 Hutton Centre Drive, Suite 400, Santa Ana California, 92707.

You should keep in mind the following points as you read this Report on Form 10-K:

the terms we, us or the Company refer to Corinthian Colleges, Inc. and its subsidiaries;

the terms school, college, campus or training center refer to a single location of any school;

the term institution means a main campus and its additional locations, as such are defined under the regulations of the U.S. Department of Education or the DOE ; and

our fiscal year ends on June 30; references to fiscal 2003, fiscal 2002 and fiscal 2001 and similar constructions refer to the fiscal year ended on June 30 of the applicable year.

This Annual Report on Form 10-K contains statements which, to the extent they do not recite historical fact, constitute forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward looking statements are used under the captions Business, Governmental Regulation and Financial Aid , Risks Related to Our Business, Management's Discussion and Analysis of Financial Condition and Results of Operations , and elsewhere in this Annual Report on Form 10-K. You can identify these statements by the use of words like may, will, could, should, project, believe, anticipate, expect, estimate, forecast, potential, intend, continue, and variations of these words or comparable words. Forward looking statements do not guarantee future performance and involve risks and uncertainties. Actual results may differ substantially from the results that the forward looking statements suggest for various reasons, including those discussed under the caption Risks Related to Our Business. These forward looking statements are made only as of the date of this Annual Report on Form 10-K. We do not undertake to update or revise the forward looking statements, whether as a result of new information, future events or otherwise.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive Proxy Statement for the 2003 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after June 30, 2003, are incorporated by reference into Part III of this report.

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PART I

Item 1. Business

Overview

Our company is one of the largest for-profit, post-secondary education companies in the United States, with more than 43,200 students enrolled as of June 30, 2003. As of June 30, 2003, we operated 69 colleges and two training centers in 21 states, including 18 in California and 12 in Florida, and serve the large and growing segment of the population seeking to acquire career-oriented education. Our schools generally enjoy long operating histories and strong franchise value in their local markets.

We offer a variety of master's, bachelor's and associate's degrees and diploma programs through three principle operating divisions. As of June 30, 2003, the Corinthian Schools division (CSI) operated 40 primarily diploma-granting schools with curricula primarily in the healthcare, business, electronics and information technology fields and seeks to provide its students a solid base of training for a variety of entry-level positions. The Rhodes Colleges division (RCI) operated 27 primarily degree-granting colleges and offers curricula principally in the healthcare, business, criminal justice, and information technology and electronics. The Titan School division (TSI) operated two campuses which offer diploma and degree programs in the technology and automotive repair and diesel technician fields. Our colleges receive strategic direction and operational support from division and regional management and corporate staff. Additionally, our Learning Tree University (LTU) training centers offer continuing professional education, short duration certificate programs, comprehensive corporate training and customized learning solutions.

Additionally, subsequent to our fiscal 2003 year end, in August 2003, we completed the acquisitions of East Coast Aero Tech, LLC (ECAT), Career Choices, Inc. (Career), and in August and September 2003, we acquired over 90% of the common share of CDI Education Corporation (CDI), which added 56 colleges and 15 training centers. The purchase price of the three acquisitions was approximately \$91 million and was funded by cash on hand and borrowings of approximately \$45 million from the Company's three year, \$235 million credit facility. ECAT operates one college in Massachusetts, with a student population of approximately 180 at June 30, 2003, offering accredited diploma programs in airframe and power plant maintenance. Career operates nine colleges in the pacific northwest and one college in northern California, with a student population of approximately 2,900 at June 30, 2003, offering accredited programs in automotive technology and heating, ventilation and air conditioning at its Sequoia campus, and allied health programs at its nine Ashmead and Eton campuses. CDI operates 45 colleges, with a student population of approximately 6,000 as of June 30, 2003, and 15 training centers in Canada and is our first international operation. The CDI colleges offer programs in information technology, business and allied health and the 15 training centers provide training in skills development to both corporations and governmental departments.

We have grown our business through acquisitions as well as through organic growth. Organic growth consists of opening new branch campuses, remodeling, expanding or relocating existing campuses and adopting curricula into existing colleges. Since 1999 and through June 30, 2003, we have opened 18 branch campuses and acquired 18 colleges and two training centers. Since the Company's formation in 1995, and including the August 2003 acquisitions of ECAT, Career and CDI, we have acquired 107 colleges and 17 training centers and we have opened 18 branch campuses.

Our company is led by David G. Moore, our Chairman of the Board and Chief Executive Officer, and an experienced executive management team. Our team of 13 executives, including Mr. Moore, have an average of approximately 15 years experience in various fields of education and an average of approximately 13 years in the for-profit, post-secondary education industry. Our operational structure consists of three divisions, led by division presidents with oversight responsibility of our diploma-granting schools division, our degree-granting schools division, and our technical schools division. Below the division level are nine regions, each lead by a regional vice president of operations and a regional vice president of admissions, which report to their respective division presidents. Our operations structure is supported by our management information system, which links all of our schools, colleges and training centers to a centralized administrative database and provides management with real-time access to marketing reports, lead tracking, academic records, grades,

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transcripts and placement information. We expect to provide operational oversight at CDI through two divisions in Canada; post secondary colleges and corporate education training centers.

Operating Strategy

We have increased our student enrollment and improved profitability through the successful implementation of our operating strategy. Key elements of our operating strategy include the following components:

Emphasize Student Outcomes. We believe that positive student outcomes are a critical component of our long-term success. Accordingly, we devote substantial resources to maintaining and improving our retention and placement rates. Modest increases in student retention can have a significant impact on our profitability and high graduation and placement rates enhance a school's reputation and marketability, increases referrals and improves cohort default rates. We have implemented a variety of programs, including extended orientation and tutoring, academic and personal advising, ride-sharing and referral programs, all of which are designed to improve student retention. We utilize a curriculum development team which is assisted by advisory boards comprised of local business professionals to help insure that our curricula provide our students with the skills required by local employers. We also maintain dedicated, full-time placement personnel at our schools that undertake extensive placement efforts, including recruiting prospective employers, helping students prepare resumes, conducting practice interviews, establishing internship programs and tracking students' placement success on a monthly basis. As a result of our efforts in this area, approximately 82% of our graduates in calendar year 2002 who were available for placement, as defined by accreditation standards, were placed in a job for which they were trained within six months after graduation.

Create a Supportive and Friendly Learning Environment. We view our students as customers and seek to provide a supportive and convenient learning environment where student satisfaction is achieved. We offer a flexible schedule of classes, providing our students with the opportunity to attend classes throughout the day, as well as nights and weekends. Schools operate year-round, permitting students to complete their course of study more quickly. We limit class sizes and focus the efforts of our faculty on teaching students rather than research. Personal interaction between students and faculty is encouraged and we offer several support programs, such as on-campus advising and tutoring, which are designed to help students successfully complete their course of study. We also maintain a toll-free student hotline to address and help resolve student concerns.

Focus on Attractive Markets. We design our educational programs to benefit from favorable demographic trends. Our diploma-granting colleges provide programs in healthcare and technology related fields, allowing us to capitalize on the growth in job opportunities in these industries. Our degree-granting colleges, with their business focus, and modern facilities and equipment and excellent faculty, seek to provide students with specific knowledge and skills necessary to advance in business and industry. Our training centers focus on skills development training which is attractive to corporate and governmental employers. Our geographic strategy is to build a strong competitive position in attractive and growing local markets where we can take advantage of operating efficiencies and benefit from favorable demographic trends. We are well positioned, with 80 colleges and two training centers in the USA, including, 16 schools and two training centers in California, 12 schools in Florida, and 45 schools and 15 training centers in Canada.

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

Local school administrators retain control of, and accountability for, the day-to-day academic, operational and financial performance of their individual schools and receive appropriate financial incentives. The corporate management team controls centralized key operational functions such as accounting, IT, financial aid management, marketing, curriculum development, staff training, human resources and purchasing, which we believe enables us to achieve significant operating efficiencies. For example, our corporate management team controls the advertising function and utilizes our information technology system to analyze the effectiveness of our marketing efforts and to make timely and efficient decisions regarding the allocation of marketing resources at individual colleges.

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Growth Strategy

We intend to achieve continued growth in revenues and profitability by pursuing our growth strategy:

Enhance Growth at Existing Campuses

Curriculum Expansion and Development. We have acquired, developed, and refined curricula based on market research and recommendations from our faculty, advisory board members and our curriculum development team. We believe considerable opportunities exist for curriculum adoption and we expect to continue to acquire and develop new curricula and selectively adopting existing curricula into both existing and new locations. In fiscal 2003, we successfully adopted 50 programs into existing schools. We expect to adopt between 50 and 70 programs into existing schools in fiscal 2004.

Integrated and Centralized Marketing Program. We have increased student enrollment by employing an integrated marketing program that utilizes an extensive direct response advertising campaign delivered through television, newspaper, direct mail and the Internet. A professional marketing staff at our headquarters coordinates marketing efforts with advertising agencies through an in-bound call center and our sophisticated real-time leads tracking capability.

Facilities Enhancement and Expansion. In order to expand facility capacity to meet our expected enrollment demand, as well as to improve the location and appearance of our facilities, we remodel, expand, and relocate existing colleges. We expect to continue to systematically remodel, expand, and relocate, selected colleges within their respective markets into larger, enhanced facilities. Since 1999, 19 colleges have been relocated and an additional 39 campuses have been either remodeled or enlarged. As of June 30, 2003, the total square footage of our campuses was approximately 2,506,000 square feet.

Establish Additional Locations. Since our initial public offering in February 1999, we have opened and successfully integrated 18 branch campuses into our operations. Of the 18 branch campuses, two were opened in each of fiscal 2000 and fiscal 1999, four were opened in each of fiscal 2001 and fiscal 2002, and six were opened in fiscal 2003. A key advantage of this strategy is that students attending new campuses branched from existing campuses have immediate access to federally funded student financial aid. We believe that opening new branch campuses will allow us to enter new geographic markets, create additional capacity in existing markets and effectively leverage our infrastructure and our extensive investment in curricula. We expect to open between six and eight branch campuses during fiscal 2004.

Make Strategic Acquisitions. Since our founding in 1995, acquisitions have been an important part of our growth strategy. Of the 69 campuses and two training centers operated as of June 30, 2003, 53 have been acquired and successfully integrated into our operations. During fiscal 2003, we acquired and successfully integrated two Wyo-Tech Acquisition Corporation (Wyo-Tech) campuses and two LTU training centers. Additionally, subsequent to our fiscal 2003 year end, we completed the acquisitions of ECAT and Career, and substantially completed the acquisition of CDI, thereby adding 56 colleges and 15 training centers to the Corinthian family of colleges. To evaluate acquisition opportunities, we have established several criteria, such as demographics, curricula, geographic proximity to our existing campuses and selected financial measurements.

Expand Distance Learning and Delivery Models. We continue to expand our distance learning and contract training initiatives.

Distance Learning. Online education, or education delivered via the internet, has become an increasingly important component of the higher education market. During fiscal 2003, we experienced a significant increase in the number of students taking our online courses through the Internet. Our online learning increased by 82% to 27,273 course registrations in fiscal 2003. As of June 30, 2003, we offered 136 online courses through 25 campuses. All of the courses necessary to complete an associate s and bachelor s degrees in business, accounting, and criminal justice are now available online. Additionally, we offer all the courses necessary to complete masters degrees in business administration and in criminal justice entirely online. With the recent approval to offer an associate s degree in legal assisting, we now offer nine accredited degrees to students enrolled in exclusively online studies. We believe that online

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learning will continue to expand. In fiscal 2004, we expect to continue to grow our online education by increasing the number of courses offered, adding to the number of campuses offering online courses, and expanding the type of degrees offered online. Although the majority of our students participating in online learning also attend one of our degree-granting colleges, in fiscal 2002, we began enrolling exclusively online students through our nine Florida Metropolitan University (FMU) colleges and during fiscal 2004 we expect to allocate the resources required to grow this exciting aspect of our business.

Corporate Training. Although we do not derive a significant portion of our revenues from contract training, we believe the corporate and governmental training arena is an attractive market and that our curricula meet the needs of a variety of employers. The acquisition of CDI and its 15 training centers in Canada will, we believe, provide a growth platform that will fuel future growth in corporate training in North America.

Programs of Study

Our diploma programs are intended to provide students with the requisite knowledge and job skills for entry-level positions in their chosen career. Our degree programs are primarily designed for career-oriented adults and to assist them in enhancing their skills. Our curriculum development team has the responsibility of maintaining high quality, market driven curricula. Our colleges also utilize advisory boards to help evaluate and improve the curriculum for each program offered. These advisory boards are requested to meet at least twice a year and are comprised of local industry and business professionals. Advisory board members provide valuable input regarding changes in the program and suggest new technologies and other factors that may enhance curriculum.

Among the diploma-granting colleges, the curricula principally includes medical assisting, dental assisting, medical office management, information technology, business operation, medical administrative assisting, surgery technology, dialysis technology, respiratory therapy technology, automotive and diesel technology, HVAC, and electronics and computer technology. The curriculum at our degree-granting colleges includes accounting, business administration, computer information systems, hospitality management, marketing, criminal justice, medical assisting, paralegal, court reporting, and film and video. Most programs lead to an associate s degree, except at our FMU campuses, where most programs may also lead to a bachelor s degree. Master s degrees are also offered at FMU in business administration and criminal justice.

Diploma programs generally have a duration of 6-19 months, depending on the course of study. Associate s degree programs have a duration of 18-24 months, bachelor s degree programs last 36-48 months and master s degree programs have a duration of 21 months. As of June 30, 2003, we had 17,104 (39%) students enrolled in associate s programs, 2,630 (6%) enrolled in bachelor s programs, 680 (2%) enrolled in master s programs, and 22,815 (53%) enrolled in diploma programs.

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The following table reflects our schools, their locations and principal curricula as of June 30, 2003. In the table below, programs offered are designated as follows: healthcare (HC), business (B), information technology and electronics (IT), criminal justice (CJ), automotive and diesel technology (AT) and other miscellaneous programs (OTH) (2).

Degree-Granting Colleges(1)	Principal Curricula
Blair College, Colorado Springs, CO(2)	HC, B, IT, CJ, OTH
Duff s Business Institute, Pittsburgh, PA	HC, B, IT, CJ
FMU, Brandon, FL	HC, B, IT, CJ
FMU, Ft. Lauderdale, FL	HC,B, IT, CJ, OTH
FMU, Jacksonville, FL	HC, B, IT, CJ
FMU, Lakeland, FL	HC, B, IT, CJ
FMU, Melbourne, FL	HC, B, IT, CJ, OTH
FMU, Orlando (North), FL	HC, B, IT, CJ, OTH
FMU, Orlando (South), FL	HC, B, IT, CJ
FMU, Pinellas, FL	HC, B, IT, CJ
FMU, Tampa, FL	HC, B, IT, CJ, OTH
Las Vegas College, Las Vegas, NV	HC, B, IT, CJ
Mountain West College, Salt Lake City, UT	HC, B, IT, CJ, OTH
Parks College, Thornton, CO	HC, B, IT, CJ, OTH
Parks College, Aurora, CO	HC, B, IT, CJ, OTH
Parks College, Arlington, VA	B, IT, CJ
Rochester Business Institute, Rochester, NY	B, IT, CJ
Everest College, Phoenix, AZ	B, IT, CJ
Everest College, Rancho Cucamonga, CA	B, IT, CJ
Everest Institute, Mid Cities, TX	B, IT, CJ
Everest Institute, Dallas, TX	B, IT, CJ
Springfield College, Springfield, MO	HC, B, IT, CJ
Western Business College, Vancouver, WA	HC, B, IT, CJ
Western Business College, Portland, OR	HC, B, IT, CJ, OTH
National School of Technology, N. Miami Beach, FL	HC
National School of Technology, Hialeah, FL	HC
National School of Technology, Kendall, FL	HC
Wyo-Tech, Blairsville, PA	AT
Wyo-Tech, Laramie, WY	AT
Bryman Institute, Brighton, MA	HC
Bryman College, El Monte, CA	HC, B
Bryman College, Gardena, CA	HC
Bryman College, Los Angeles, CA	HC
Bryman College, New Orleans, LA	HC
Bryman College, Anaheim, CA	HC
Bryman College, San Francisco, CA	HC
Bryman College, San Jose, CA	HC
Bryman College, Hayward, CA	HC, B
Bryman College, Reseda, CA	HC
Bryman College, Renton, WA	HC
Bryman College, Lynnwood, WA	HC
Bryman College, Ontario, CA	HC, B

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Bryman College, West Los Angeles, CA	HC, B, OTH
Bryman College, Whittier, CA	HC, B
Bryman College, Torrance, CA	HC
Bryman College, San Bernardino, CA	HC, B
Georgia Medical Institute, Atlanta, GA	HC
Georgia Medical Institute, Jonesboro, GA	HC
Georgia Medical Institute, Marietta, GA	HC
Georgia Medical Institute, Norcross, GA	HC
Georgia Medical Institute, Dekalb, GA	HC, B
Kee Business College, Newport News, VA	HC, B
Kee Business College, Chesapeake, VA	HC, B
National Institute of Technology, Austin, TX	HC, B, IT
National Institute of Technology, Cross Lanes, WV	HC, B, IT
National Institute of Technology, Dearborn, MI	HC, IT
National Institute of Technology, Houston (Greenspoint), TX	HC, B
National Institute of Technology, Houston (Hobby), TX	HC, B
National Institute of Technology, Houston (Galleria), TX	HC, B, IT
National Institute of Technology, Long Beach, CA	HC, B, IT, OTH
National Institute of Technology, San Antonio, TX	HC, B, IT
National Institute of Technology, San Jose, CA	B, IT, OTH
National Institute of Technology, Southfield, MI	HC, B, IT
Olympia Career Training Institute, Grand Rapids, MI	HC, IT
Olympia Career Training Institute, Kalamazoo, MI	HC
Olympia College, Merrillville, MI	HC
Olympia College, Skokie, IL	HC
Olympia College, Burr Ridge, IL	HC
Olympia College, Chicago, IL	HC

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- (1) Additionally, in August 2003, we completed (or, in the case of CDI, substantially completed) the following acquisitions: ECAT, which offers diploma programs in airframe and power plant maintenance at its one campus in Massachusetts; Career Choices, which offers diploma programs primarily on allied health at its nine campuses in the Pacific Northwest and diploma and degree programs in automotive technology and HVAC at a single campus in northern California; and CDI, which operates 45 campuses in Canada and offering diploma programs in business, information technology and allied health.
- (2) OTH means Other and includes programs such as hotel and restaurant management, travel and hospitality, and video/film production as well as other miscellaneous programs.

Marketing and Recruitment

We employ a variety of methods to attract qualified applicants who will benefit from our programs and achieve success in their chosen careers. We believe that one of the principal attractions for prospective students is the excellent reputation our schools enjoy in their respective communities. Nine of our campuses have been operating for more than 80 years. We believe the long history of operations of our schools enhances their marketability within their respective communities. This value, along with the quality of the programs offered, has enabled us to generate significant new student enrollments from referrals. For the year ended June 30, 2003, approximately 30% of our new student enrollments came from referrals.

We also employ a variety of direct response advertising techniques to generate leads of potential applicants for our schools. Our advertising department generated more than 726,000 leads in fiscal 2003 primarily through television, direct mail, newspaper, internet and yellow pages. The effectiveness of this advertising campaign is dependent upon timely and accurate lead tracking. To that end, we operate a call center at our headquarters, staffed by a team of operators who receive incoming calls from interested students attracted to our programs through television and newspaper advertisement. These trained operators enter relevant data on each prospect into our management information system during the call and immediately transmit the information to the appropriate college. The college admissions representative promptly contacts the prospect and begins the admissions process. Additionally, the call center places out-bound calls and schedules meetings with prospective students and trained admissions representatives.

Our lead tracking capability allows us to identify leads generated by specific commercials and spot times. Our seven advertising agencies are networked into our management information database and are provided with real time information on the effectiveness of individual commercials as well as the effectiveness of the media buy. The agencies consult with our advertising department to adjust schedules for advertisements depending on our needs and the effectiveness of the particular advertisements. Since more than 72% of our advertising budget is spent on television and newspaper advertisements, the availability of timely and accurate lead information is critical to the leads generation process. For the year ended June 30, 2003, approximately 41% of our new student enrollments were generated through television, newspaper and yellow pages advertising, 30% were generated through referrals, 6% were generated through direct mail, 10% were generated from the Internet, and 13% were generated through a variety of other methods.

Admissions

As of June 30, 2003, we employed approximately 610 admissions representatives who work directly with prospective students to facilitate the enrollment process. These representatives interview and advise students interested in specific careers and are a key component of our effort to generate interest in our educational services. We conduct quarterly student satisfaction surveys in which students have consistently given high marks to our admissions personnel for helpfulness, courtesy and accuracy of information. Because our success is highly dependent on the efficiency and effectiveness of our admissions process, we invest considerable resources to training our admissions representatives in product knowledge, regulatory compliance, and customer service. We also employ various admissions supervisory and monitoring programs, and conduct student surveys which, we believe, helps us ensure compliance with both government regulations and our corporate policies.

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One of our objectives in the admissions process is to identify students who have appropriate qualifications to succeed in our schools. Candidates for admission into most of our degree-granting colleges must have either a high school diploma or a GED and all prospective students must pass a standardized admissions test. In addition, most of our diploma-granting colleges may accept non-high school graduates who can demonstrate an ability to benefit (ATB students) from the program by passing certain tests which are required by the U.S. Department of Education. We believe that ATB students can successfully complete many of our diploma programs and our colleges have demonstrated success in graduating and placing these students over the years. As of June 30, 2003, ATB students accounted for approximately 6.4% of total enrollments in our schools.

Placement

Our placement success is critical to our colleges' reputations and their ability to continue to successfully recruit new students. We maintain a placement department at each college and, as of June 30, 2003, employed approximately 186 professionals in this capacity. In many cases, our placement staff work with students from the time they begin their courses of study until they are successfully placed in a job for which they are trained. We believe our placement departments are a key component of our success and we view them as essentially in-house employment agencies, assisting students with resumes, conducting practice interview sessions, and recruiting prospective employers for the colleges' graduates.

We believe the efforts we devote to place our graduates have achieved excellent results. Based on information received from graduating students and employers for calendar year 2002, approximately 82% of our graduates who were available for placement were placed in a job for which they were trained within six months after graduation. In accordance with accrediting standards, the term available for placement includes all graduates except those who are continuing their education, are in active military service or are deceased or disabled, and foreign students who are ineligible to work in the United States after graduation.

Tuition

Typical tuition for our diploma programs range from \$6,000 to \$27,700, depending upon the nature and length of the program. Tuition for degree programs is charged on a credit hour basis and varies by college, typically ranging from \$193 to \$270 per undergraduate credit hour, depending upon the program of study. Tuition for graduate programs ranges from \$297 to \$312 per credit hour. On average, an undergraduate degree candidate can expect tuition of approximately \$7,800 per academic year, while a master's degree candidate can expect tuition of approximately \$9,500 per academic year. In addition to tuition, students at our schools must also typically purchase textbooks and other supplies as part of their educational programs. We anticipate increasing tuition based on the market conditions prevailing at our individual colleges. Our tuition ranges are competitive with similar institutions, but like many proprietary institutions, are somewhat higher than public institutions such as community colleges and state universities.

If a student fails to complete the period of enrollment such as a quarter, trimester, semester, academic year, or program, the institution may be required to refund tuition previously collected to the originating or disbursing agency. Refunds are calculated in accordance with the applicable state, federal or institutional refund policy.

Campus Administration

We establish policy, implement these policies, and monitor the performance of our schools through the coordination of the executive vice president of operations, the division presidents, our regional vice presidents of operations, the regional vice presidents of admissions and through our internal audit department. The college presidents, in consultation with their respective management teams, have the responsibility for the day-to-day operation of the schools. Each college employs the following management personnel which report to the college president:

an academic dean or education director;

an admissions director;

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a placement director, and

a finance director.

Corporate, or headquarters, personnel manage several key functions, including financial aid, information technology, treasury, accounting, marketing and advertising, purchasing, human resources, payroll, curriculum development, leads management, staff training and development, internal audit, and provide academic and instructional support for online learning. Among the principal oversight functions performed by corporate personnel, in cooperation with our division, region and college management, is the annual operating budget, strategic planning and forecasting processes. These processes establish goals for each college, assist in implementing strategies and establish performance expectations and corresponding incentives. Our senior management team monitors operating performance and profitability of each college and has access to operational data through our sophisticated information systems and conducts weekly conference calls with the college presidents to review key performance indicators such as lead flow, starts, student population, and other operating results to determine the proper course of action.

Faculty

The faculty members at our colleges are industry professionals and hold appropriate credentials in their respective disciplines. We choose faculty carefully and encourage them to pursue professional development activities. We believe the skill and dedication of our faculty have a significant impact on the placement and success of our students following their graduation. As of June 30, 2003, we employed 3,139 faculty, 1,476 of whom were full-time employees. Faculty represents approximately 51% of our employees.

Competition

The post-secondary education market, consisting of approximately 6,800 accredited institutions, is highly fragmented and competitive, with no institution having a significant market share. Many of the programs offered by our colleges are also offered by public and private non-profit institutions, as well as by many of the approximately 2,500 private, for-profit colleges and schools. Typically, the tuition charged by public institutions is less than tuition we charge for comparable programs because public institutions receive state subsidies, donations and government research and other grants that are not available to our colleges. However, tuition at private non-profit institutions is typically higher than the tuition charged at our colleges.

We compete in most markets with other private, for-profit institutions offering similar programs. We believe that the long operating history of many of our colleges, the qualifications of our faculty, our facilities, and our emphasis on student services and placement allows us to compete effectively. In addition, many of our colleges have been operating in their markets for many years, which has led to a substantial number of graduates who are working in the community and validate the quality of the colleges' programs. For example, the Bryman Colleges have been well known in the healthcare education field in California for over 37 years. We believe that many physicians and dentists in California view Bryman as their best source of qualified medical and dental assistants.

Facilities

Our corporate office is located in Santa Ana, California. The 69 campuses and two training centers that we operated as of June 30, 2003 are located in 21 states. Each campus provides our students with lecture rooms, instructional labs, libraries, internet access and an administrative staff led by a college president.

We actively monitor the capacity at our facilities and the expected future facilities capacity required to accommodate campus growth initiatives. We provide for expansion and future growth at each campus through relocations to larger facilities and by expanding or remodeling existing facilities. From the beginning of fiscal 1999 through fiscal 2003, approximately 27% of the campuses have been relocated and an additional 55% of total campuses have been either expanded or remodeled. The following table reflects the number of campuses added or closed during each of the last five fiscal years, the number of campuses operated at the end of each of

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the last five fiscal years and the number of campuses that have been relocated, enlarged or remodeled during each of the last five fiscal years.

	Years Ended June 30,				
	1999	2000	2001	2002	2003(1)
Opened					
Acquired	0	5	9	3	4
Branched	2	2	4	4	6
Closed	0	0	1	1	0
Combined with another campus	0	0	0	1	0
Total campuses/training centers at year end	37	44	56	61	71
Relocated	5	2	3	6	3
Enlarged or remodeled	1	2	9	10	17

(1) Excludes the 56 colleges and 15 training centers acquired in August 2003 subsequent to our fiscal year end.

All but three of our campuses, and two buildings at Wyo-Tech, are leased. In addition, we lease our headquarters offices. Most of our leases have primary terms between five and ten years with options, at our election, to extend the lease.

Management and Employees

Our company is led by David G. Moore, Chairman of the Board and Chief Executive Officer. He is assisted by his senior management team of Anthony Digiovanni, our President and Chief Operating Officer, Dennis L. Devereux, Dennis N. Beal, Beth A. Wilson, Mary H. Barry, Mark L. Pelesh, Nolan A. Miura, Stan A. Mortensen and Paul T. Dimeo. Beyond the senior management level, our management structure includes presidents of our operating divisions, regional vice presidents of operations and regional vice presidents of admissions. As of June 30, 2003, we had approximately 6,102 employees, of whom approximately 2,260 were part-time and approximately 411 were employed at or assigned to our corporate headquarters and regional offices.

Available Information

Free copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed with the Securities and Exchange Commission (SEC) may be obtained through our website at www.cci.edu, or by contacting our investor relations department. Our website address is provided solely for informational purposes. We do not intend, by this reference, that our website or any of the information contained therein should be deemed to be part of, or incorporated into, this Annual Report.

Table of Contents**EXECUTIVE OFFICERS OF THE REGISTRANT**

Set forth below are the name, ages, titles and present and past positions of the persons serving as executive officers of the Company as of September 3, 2003:

Name	Age	Position
David G. Moore	64	Chairman of the Board, President, and Chief Executive Officer
Anthony F. Digiovanni	53	President and Chief Operating Officer
Dennis L. Devereux	56	Executive Vice President, Administrative Services
Dennis N. Beal	52	Executive Vice President and Chief Financial Officer
Beth A. Wilson	51	Executive Vice President, Operations
Mary H. Barry	54	Executive Vice President, Academic Affairs
Mark L. Pelesh	49	Executive Vice President, Legislative and Regulatory Affairs
Nolan A. Miura	48	Senior Vice President, Strategic Planning and Business Development
Stan A. Mortensen	36	Senior Vice President, General Counsel and Corporate Secretary
Paul T. Dimeo	53	Senior Vice President, Real Estate

David G. Moore is one of the founders of our company and has served as our Chief Executive Officer, as well as a member of our board of directors, since our inception in July 1995 and as our President through November 2002. He was elected the Chairman of the Board in August of 2001. Immediately prior to forming our company, he was President of National Education Centers, Inc. (NECI), a subsidiary of National Education Corporation. From 1992 to 1994, Mr. Moore served as President of DeVry Institute of Technology in Los Angeles, where he developed DeVry's West Coast growth strategy. From 1980 to 1992, he was employed by Mott Community College in Flint, Michigan, where he was President from 1984 to 1992. From 1960 to 1980, Mr. Moore served a distinguished career in the U.S. Army, retiring at the rank of Colonel. Mr. Moore received a Bachelor of Arts in Political Science from Seattle University and Master of Business Administration from the University of Puget Sound. He has also completed the Management of Higher Education Program at Harvard University, post graduate studies in Higher Education Management at the University of Michigan and graduate study and research in Computer Science at Kansas State University.

Anthony F. Digiovanni joined Corinthian as President and Chief Operating Officer in November 2002. Prior to joining Corinthian, he served as Executive Vice President of Apollo Group, Inc., a for-profit, publicly traded higher education provider. Prior to his position as Executive Vice President of Apollo, he was CEO of Apollo's University of Phoenix Online. From 1998 to 2000, he served as Executive Vice President for University of Phoenix, Inc. From 1992 to 1998, he served as Regional Vice President for University of Phoenix's Western campuses and as Vice President/ Campus Director in Southern California from 1989 to 1992. Mr. Digiovanni earned his Bachelor of Business Administration from Loyola Marymount University, Los Angeles and his MBA from the University of Southern California.

Dennis L. Devereux is one of the founders of our company and currently serves as Executive Vice President, Administrative Services, a title he has held since August 2001. Previously, he served as Vice President, Human Resources from the Company's inception in July 1995 to April 1998, when he was promoted to Executive Vice President, Human Resources. He was employed by NECI as its Vice President, Human Resources from 1988 to 1995. From 1987 to 1988, he was Director, Human Resources for Jacobs Engineering Group, Inc. He was employed by American Diversified Companies, Inc. as its Director, Human Resources from 1985 to 1987. From 1973 to 1984, Mr. Devereux was employed by Bechtel Group, Inc. in a variety of human resources management positions, including Personnel Manager for a subsidiary company and Personnel Supervisor for a major construction site and within a large regional operation. Previously, he was employed in a compensation assignment with Frito-Lay, Inc. and as Personnel Manager with Anaconda Wire & Cable Company from 1969 to 1973. Mr. Devereux received a Bachelor of Science in Business Administration (Personnel Management) from California State University, Long Beach.

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Dennis N. Beal joined us as our Executive Vice President and Chief Financial Officer in May 2000. Prior to joining our company, Mr. Beal was employed by Stater Bros. Holdings Inc. (an operator of 155 supermarkets in California) as its Vice President and Chief Financial Officer from 1992 to 1998 and as its Senior Vice President and Chief Financial Officer from 1998 to May 2000. From 1981 to 1992, Mr. Beal was employed by American Stores Company (an operator of approximately 1,500 supermarkets and drug stores) and served in various financial capacities including Vice President, Controller. From 1974 to 1981, Mr. Beal was employed by the firm of Bushman, Daines, Rasmussen and Wisan CPAs and was admitted as a Partner in 1980. Mr. Beal, a Certified Public Accountant, graduated with a Bachelor of Science degree in Accounting from the University of Utah and received a Masters of Business Administration degree from Westminster College, Salt Lake City, Utah.

Beth A. Wilson has been employed by us since our inception in July 1995. She was promoted to Executive Vice President in July 2001. Previously, Ms. Wilson was Vice President of Operations from June 1998 to June 2001. Ms. Wilson was Regional Operations Director for the College Region of Rhodes Colleges, Inc. from May 1997 to June 1998. From July 1995 to May 1997 she was Operations Director and Regional Operations Director for Corinthian Schools, Inc. Ms. Wilson was employed by NECI from 1991 to 1995, initially as Executive Director of its Capital Hill campus, then as Area Operations Manager. From 1990 to 1991, she was Vice President, Branch Operations for National College. She was employed by United Education and Software from 1984 to 1990, initially as Executive Director of a business school, then as Group Manager for four to fifteen locations and finally as Vice President, Administration. She was Scholarship Administrator for National University from 1982 to 1984 and Assistant Director of American Business College from 1976 to 1981. Ms. Wilson earned an MBA from National University and a Bachelor of Arts degree from California State College, Sonoma.

Mary H. Barry serves as our Executive Vice President of Academic Affairs since September 2003, and has served as our Senior Vice President of Academic Affairs from July 2002 until August 2003. Prior to that time she served as our Vice President of Education from April 1998 through July 2002. She was previously employed by University of Phoenix, Southern California Campus, from 1992 through April 1996, where her assignments included Director of Academic Affairs and Director of Administration. She was the Regional Director of the Center for Professional Education, Western Region, from 1996 to 1998. Previously, Ms. Barry was employed in the banking industry as Senior Vice President of Marquette Banks, Director for Citibank, and Vice President of First National Bank of Chicago. Ms. Barry served as a Public Affairs Officer in the U.S. Marine Corps from 1971 to 1980, achieving the rank of Major. Ms. Barry earned a Bachelor of Science in Speech/ Drama Education from Bowling Green State University, a Masters of Management from the Kellogg Graduate School of Management, Northwestern University and a Juris Doctorate from Western State University.

Mark L. Pelesh became our Executive Vice President for Legislative and Regulatory Affairs in September 2003. Prior to that time, he was a partner in the firm of Drinker Biddle & Reath LLP in Washington, DC, where he was the head of the Education Law Group. His practice focused on federal and state laws and regulations and private accreditation requirements affecting postsecondary educational institutions. Prior to joining Drinker Biddle & Reath, Mr. Pelesh was a partner and associate in the firm of Cohn and Marks and an associate in the firm of Arnold & Porter, both of which are in Washington, DC. Mr. Pelesh received a Juris Doctorate degree from the Yale Law School in 1978 and a Bachelor of Arts degree with distinction and honors in History from Stanford University in 1975.

Nolan A. Miura has been our Senior Vice President of Strategic Planning and Business Development since August 2002. Prior to that time he was our Vice President of Strategic Planning and Treasurer from October 1999 to August 2002. Mr. Miura joined the company as Director of Treasury and Business Analysis in November 1997 and was promoted to Treasurer in December 1998. He was employed by Atlantic Richfield Company (ARCO) from 1979 to 1997 in various financial and marketing positions including Planning Manager ARCO Products Company, Marketing Director ARCO Pipe Line Company, Marketing Analysis Manager ARCO Products Company and Planning, Evaluation and Business Development Manager ARCO Marine, Inc. Mr. Miura received an MBA (Corporate Finance) from the University of

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Southern California and a Bachelor of Science in Business Administration (Finance) from California State University, Long Beach. Mr. Miura is also a Certified Internal Auditor.

Stan A. Mortensen has served as our Senior Vice President, General Counsel and Corporate Secretary since August 2002. Prior to his appointment as Senior Vice President, Mr. Mortensen served as Vice President, General Counsel and Corporate Secretary since January 2000. Prior to that time, Mr. Mortensen was an attorney at the law firm of O Melveny & Myers LLP from March 1997 through December 1999, where his practice focused on securities law, corporate finance, mergers and acquisitions, and general corporate matters. From August 1994 through February 1997, Mr. Mortensen was an attorney at the law firm of Robins, Kaplan, Miller & Ciresi, where his practice focused on complex commercial litigation. Mr. Mortensen received a Juris Doctorate and a Bachelor of Arts in Political Science from Brigham Young University.

Paul T. Dimeo joined the Company as Senior Vice President, Real Estate on September 1, 2003. Prior to joining the Company, Mr. Dimeo was Senior Vice President of The Staubach Company, a national commercial brokerage firm specializing in tenant representation, from 1998 through 2003. Prior to joining The Staubach Company, Mr. Dimeo held several real estate positions within the IBM corporation, both in New York and California, for over 20-years. Mr. Dimeo earned his Bachelor of Science degree from the State University of New York (SUNY) at New Paltz, and received a Masters of Corporate Real Estate certificate from CORNET, an Industry Trade Organization.

GOVERNMENTAL REGULATIONS AND FINANCIAL AID

Students attending the Company's schools in the United States finance their education through a combination of family contributions, individual resources (including earnings from full or part-time employment) and federal financial aid programs. We estimate that during fiscal 2003 approximately 80.0% of our students received some federal Title IV financial aid. For fiscal 2003, approximately 81.9% of our revenues (on a cash basis) were derived from federal Title IV programs (as defined herein).

If any of the Company's institutions were to lose its eligibility to participate in federal student financial aid programs, the students at that institution would lose access to funds derived from those programs and would have to seek alternative sources of funds to pay their tuition and fees. Students obtain access to federal student financial aid through a U.S. Department of Education (DOE) prescribed application and eligibility certification process. Student financial aid funds are generally made available to students at prescribed intervals throughout their predetermined expected length of study. Students typically use the funds received from the federal financial aid programs to pay their tuition and fees. The transfer of funds from the financial aid programs are to the student, who then applies those funds to the cost of their education. The receipt of funds from federal financial aid programs reduce the student's amount due to the institution and does not impact revenue recognition.

In connection with the receipt by its students of federal financial aid, the Company is subject to extensive regulation by governmental agencies and licensing and accrediting bodies. In particular, the Higher Education Act of 1965, as amended (the HEA), and the regulations issued thereunder by the DOE, subject the Company to significant regulatory scrutiny in the form of numerous standards that schools must satisfy in order to participate in the various federal student financial aid programs under Title IV of the HEA (the Title IV Programs). Under the HEA, regulatory authority is divided among each of the following three components: (i) the federal government, which acts through the DOE; (ii) the accrediting agencies recognized by the DOE; and (iii) state higher education regulatory bodies. Among other things, the HEA and implementation regulations require the Company's institutions to: (i) maintain a rate of default by its students on federally guaranteed loans that are below a specified rate; (ii) limit the proportion of its revenue derived from the Title IV Programs; (iii) comply with certain financial responsibility and administrative capability standards; (iv) prohibit the payment of certain incentives to personnel engaged in student recruiting, admissions activities or the award of financial aid; and (v) achieve prescribed completion and placement outcomes for short-term programs. The regulations, standards and policies of the regulatory agencies frequently change, and changes in, or new interpretations of, applicable laws, regulations or standards could

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have material consequences for the Company's accreditation, authorization to operate in various states, permissible activities, receipt of funds under Title IV Programs and costs of doing business.

The federally guaranteed loans referred to by the Company are authorized by the HEA and are guaranteed by an agency of the federal government. The guaranteed loans are neither guaranteed by the Company, nor can such guaranteed loans become an obligation of the Company. Accordingly, the Company does not record an obligation to repay any of the guaranteed loans that are not repaid by its former students and the Company does not record either a contingent obligation or an allowance for future obligations as a result of student defaults of federally guaranteed loans.

Rather, the DOE regulations require that the Company maintain a rate of default by its students on federally guaranteed, or funded student loans, that is below a specified rate, pertains solely to the Company's eligibility to participate in federal student financial aid programs. If an institution fails to maintain a Cohort Default Rate of 25% or less for three consecutive years, the institution could lose eligibility to participate in federal student financial aid programs and its students would lose access to the federally guaranteed loan programs.

The DOE regulations define an institution as a main campus and its additional locations, if any. Under this definition, each of the Company's campuses is a separate institution with the following exceptions: Bryman College in New Orleans, Louisiana is an additional location of Bryman College in Hayward, California; the Florida Metropolitan University (FMU) campuses in Melbourne and Orlando(South), Florida are additional locations of FMU, Orlando (North); FMU in Brandon, Florida is an additional location of FMU in Tampa, Florida; the FMU campuses in Lakeland and Jacksonville, Florida are additional locations of FMU in Pinellas, Florida; Parks College in Thornton, Colorado and in Arlington, Virginia are additional locations of Parks College in Aurora, Colorado; three campuses of the National Institute of Technology (NIT) in Houston, Texas are additional locations of NIT in San Antonio, Texas; Kee Business College in Chesapeake, Virginia is an additional location of Kee Business College in Newport News, Virginia; Western Business College in Vancouver, Washington and Everest College in Dallas, Texas are additional locations of Western Business College in Portland, Oregon; Olympia Career Training Institute in Kalamazoo, Michigan and Olympia College in Merrillville, Indiana are additional locations of Olympia Career Training Institute in Grand Rapids, Michigan; Everest College in Rancho Cucamonga, California is an additional location of Springfield College in Springfield, Missouri; the Bryman College campuses in West Los Angeles and Whittier, California are additional locations of NIT in Long Beach, California; Georgia Medical Institute (GMI) campuses in Jonesboro and Marietta, Georgia are additional locations of GMI in Atlanta, Georgia; the NIT campus in Dearborn, Michigan and Austin, Texas are additional locations of the NIT campus in Southfield, Michigan; the National School of Technology (NST) campus in Hialeah, Florida is an additional location of the NST campus in North Miami Beach, Florida; the GMI campus in Dekalb, Georgia is an additional location of NIT in Cross Lanes, West Virginia; and the Bryman College campus in Lynnwood, Washington is an additional location of Bryman College in Renton, Washington; Everest College in Arlington, Texas is an additional location of Rochester Business Institute in Rochester, New York; Olympia College in Burr Ridge, Illinois is an additional location of Olympia College in Skokie, Illinois; Georgia Medical Institute in Norcross, Georgia is an additional location of Bryman College in Gardena, California; Olympia College in Chicago, Illinois is an additional location of the Bryman College in San Francisco, California.

Accreditation

Accreditation is a voluntary non-governmental process by which institutions submit themselves to qualitative review by an organization of peer institutions. There are three types of accrediting agencies: (i) national accrediting agencies, which accredit institutions without regard to geographical location; (ii) regional accrediting agencies, which accredit institutions within their geographic areas; and (iii) programmatic accrediting agencies, which accredit specific educational programs offered by institutions. Accrediting agencies primarily examine the academic quality of the instructional programs offered at the institution, including retention and placement rates, and also review the administrative and financial operations of the institution to ensure that it has the academic and financial resources to achieve its educational mission. A grant of accreditation is generally viewed as certification that an institution and its programs meet generally accepted academic standards.

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Pursuant to provisions of the HEA, the DOE relies on accrediting agencies to determine whether an institution and its educational programs are of sufficient quality to permit it to participate in Title IV Programs. The HEA specifies certain standards that all recognized accrediting agencies must adopt in connection with their review of post-secondary institutions and requires accrediting agencies to submit to a periodic review by the DOE as a condition of their continued recognition. All of our colleges and two training centers located within the United States are accredited by an accrediting agency recognized by the DOE. Twenty-six of the Company's schools are accredited by the Accrediting Council for Independent Colleges and Schools (ACICS), thirty-one schools are accredited by the Accrediting Commission of Career Schools and Colleges of Technology (ACCSCT), two schools and two training centers are accredited by the Accrediting Council for Continuing Education and Training (ACCET), nine schools are accredited by the Accrediting Bureau of Health Education Sciences (ABHES) and one school is accredited by North Central Association (NCA).

The following table specifies the accrediting agency and the expiration of accreditation for each college.

Degree Granting Colleges(2)	Location	Accrediting Agency	Expiration
Blair College	Colorado Springs, CO	ACICS	12/31/06
Duff's Business Institute	Pittsburgh, PA	ACICS	12/31/04
Florida Metropolitan University	Jacksonville, FL	ACICS	12/31/07
Florida Metropolitan University	Fort Lauderdale, FL	ACICS	12/31/03
Florida Metropolitan University	Orlando (North), FL	ACICS	12/31/07
Florida Metropolitan University	Orlando (South), FL	ACICS	12/31/07
Florida Metropolitan University	Melbourne, FL	ACICS	12/31/07
Florida Metropolitan University	Tampa, FL	ACICS	12/31/06
Florida Metropolitan University	Brandon, FL	ACICS	12/31/06
Florida Metropolitan University	Lakeland, FL	ACICS	12/31/07
Florida Metropolitan University	Pinellas, FL	ACICS	12/31/07
Las Vegas College	Las Vegas, NV	ACICS	12/31/04
Mountain West College	Salt Lake City, UT	ACICS	12/31/04
Parks College	Thornton, CO	ACICS	12/31/04
Parks College	Aurora, CO	ACICS	12/31/04
Parks College	Arlington, VA	ACICS	12/31/03
Everest College	Phoenix, AZ	NCA	2008
Everest College	Rancho Cucamonga, CA	ACICS	12/31/04
Everest College	Arlington, TX	ACICS	10/31/04
Everest College	Dallas, TX	ACICS	02/29/04
Springfield College	Springfield, MO	ACICS	12/31/04
Rochester Business Institute	Rochester, NY	ACICS	12/31/06
Western Business College	Portland, OR	ACICS	12/31/07
Western Business College	Vancouver, WA	ACICS	12/31/07
National School of Technology	N. Miami Beach, FL	ABHES	12/31/07
National School of Technology	Hialeah, FL	ABHES	12/31/07
National School of Technology	Miami, FL	ABHES	12/31/07
Wyo-Tech	Laramie, WY	ACCSCT	11/30/04
Wyo-Tech	Blairsville, PA	ACCSCT	10/31/03
Bryman College	Los Angeles, CA	ACCSCT	11/01/05
Bryman College	New Orleans, LA	ACCSCT	12/31/06
Bryman Institute	Brighton, MA	ACCSCT	12/31/07

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Degree Granting Colleges(2)	Location	Accrediting Agency	Expiration
Bryman College	Anaheim, CA	ACCST	04/01/07
Bryman College	El Monte, CA	ACCST	08/01/04
Bryman College	San Francisco, CA	ACCST	12/31/06
Bryman College	Renton, WA	ACCST	10/01/07
Bryman College	Lynnwood, WA	ACCST	06/27/04
Bryman College	Gardena, CA	ACCST	10/01/07
Bryman College	Reseda, CA	ACCST	12/31/06
Bryman College	Ontario, CA	ACCST	10/01/03
Bryman College	San Jose, CA	ACCST	01/01/08
Bryman College	Hayward, CA	ACCST	12/31/06
Bryman College	Whittier, CA	ACCST	08/01/05
Bryman College	West Los Angeles, CA	ACCST	05/01/04
Bryman College	Torrance, CA	ACCET	12/31/04
Bryman College	San Bernardino, CA	ACICS	12/31/05
Georgia Medical Institute	Atlanta, GA	ABHES	12/31/04
Georgia Medical Institute	Jonesboro, GA	ABHES	12/31/04
Georgia Medical Institute	Norcross, GA	ACCST	03/19/04
Georgia Medical Institute	Marietta, GA	ABHES	12/31/04
Georgia Medical Institute	Dekalb, GA	ACCST	12/31/05
Kee Business College	Newport News, VA	ACICS	12/31/04
Kee Business College	Chesapeake, VA	ACICS	12/31/04
National Institute of Technology	Austin, TX	ACCST	11/07/04
National Institute of Technology	San Antonio, TX	ACCST	12/31/06
National Institute of Technology	San Jose, CA	ACCET	04/15/03(1)
National Institute of Technology	Dearborn, MI	ACCST	03/19/03(1)
National Institute of Technology	Greenspoint, TX	ACCST	03/07/07
National Institute of Technology	Houston, TX	ACCST	11/01/05
National Institute of Technology	Hobby, TX	ACCST	11/27/03
National Institute of Technology	Long Beach, CA	ACCST	07/01/03
National Institute of Technology	Southfield, MI	ACCST	04/01/08
National Institute of Technology	Cross Lanes, WV	ACCST	12/31/06
Olympia Career Training Institute	Grand Rapids, MI	ABHES	12/31/05
Olympia Career Training Institute	Kalamazoo, MI	ABHES	12/31/05
Olympia College	Merrillville, IN	ABHES	12/31/05
Olympia College	Skokie, IL	ACCST	01/01/05
Olympia College	Burr Ridge, IL	ACCST	10/15/04
Olympia College	Chicago, IL	ACCST	07/10/05
LTU ⁽³⁾	Chatsworth, CA	ACCET	12/01/04
LTU ⁽³⁾	Costa Mesa, CA	ACCET	12/01/04

(1) Pending re-accreditation approval.

(2) Excludes 56 schools and 15 training centers acquired in August 2003 following our fiscal year end.

(3) Although LTU is accredited by an accrediting agency recognized by the DOE, it is not eligible to receive Title IV funds.

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The HEA requires accrediting agencies recognized by the DOE to review many aspects of an institution's operations in order to ensure that the education or training offered is of sufficient quality to achieve, for the duration of the accreditation period, the stated objectives of the education or training offered. Under the HEA, recognized accrediting agencies must conduct regular reviews of the institutions they accredit. In addition to periodic accreditation reviews, institutions undergoing a change of ownership must be reviewed by the appropriate accrediting agency. All of the Company's colleges have been visited and reviewed by their respective accrediting agencies subsequent to the date of acquisition by the Company. Accrediting agencies also monitor institutions' compliance during the term of their accreditation. If an accrediting agency believes that an institution may be out of compliance with accrediting standards, it may place the institution on probation or a similar warning status or direct the institution to show cause why its accreditation should not be revoked. An accrediting agency may also place an institution on reporting status in order to monitor one or more specific areas of the institution's performance. An institution placed on reporting status is required to report periodically to its accrediting agency on that institution's performance in specific areas. Failure to demonstrate compliance with accrediting standards in any of these instances could result in loss of accreditation. While on probation, show cause or reporting status, an institution may be required to seek permission from its accrediting agency to open and commence instruction at new locations. As of June 30, 2003, 12 of our 69 campuses were on retention reporting with ACICS and three campuses were on retention reporting with ACCSCT. We believe the corrective actions we have implemented to remediate the reporting status for student retention will over time remove the campuses from reporting status and such remediation costs will not have a material adverse impact on the operating results of the Company.

Federal Support for Post-Secondary Education

While many states support their public colleges and universities through direct state subsidies, the federal government provides a substantial part of its support for post-secondary education through grants and loans to students who can apply the funds received to pay for their educational costs at any institution certified by the DOE as eligible to participate in the federally funded student financial aid programs. Since 1972, Congress has expanded the scope of the HEA by, among other things, (i) providing that students attending proprietary institutions, such as the Company's institutions, are eligible for assistance under the Title IV Programs, (ii) establishing a program for loans to parents of eligible students, (iii) opening the Title IV Programs to part-time students, and (iv) increasing maximum loan limits and in some cases eliminating the requirement that students demonstrate financial need to obtain federally guaranteed loans. Most recently, the Federal Direct Loan Program (FDL) was enacted, enabling students to obtain loans directly from the federal government rather than from commercial lenders. Congress reauthorizes the student financial assistance programs of the HEA approximately every five years.

Congress is currently considering the reauthorization of the HEA. Although it is unclear at this time what changes, if any, Congress may make to the HEA as a result of reauthorization, we believe that upon reauthorization, our institutions and students will continue to have access to Title IV funds. However, substantial changes to HEA, as a result of reauthorization, may have a material adverse impact on our operating results and cash flows.

Students at the Company's institutions receive grants, loans and work opportunities to fund their education under several of the Title IV Programs, of which the two largest are the Federal Family Education Loan (FFEL) program and the Federal Pell Grant (Pell) program. The Company's institutions also participate in the Federal Supplemental Educational Opportunity Grant (FSEOG) program, and some of them participate in the Federal Perkins loan program and the Federal Work-Study (FWS) program.

Most aid under the Title IV Programs is awarded on the basis of financial need, generally defined under the HEA as the difference between the cost of attending an educational institution and the amount a student can reasonably contribute to that cost. All recipients of Title IV Program funds must maintain both a satisfactory grade point average and progress in a timely manner toward completion of their program of study.

Pell. Pell grants are the primary component of the Title IV Programs under which the DOE makes grants to students who demonstrate financial need. Every eligible student is entitled to receive a Pell grant;

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there is no institutional allocation or limit. For the 2002-2003 award year, Pell grants ranged from \$400 to \$4,000 per year. Amounts received by students enrolled in the Company's institutions in the 2002-2003 award year under the Pell program equaled approximately 24.5% of the Company's net revenue (on a cash basis).

FSEOG. FSEOG awards are designed to supplement Pell grants for the neediest students. FSEOG grants generally range in amount from \$100 to \$4,000 per year; however, the availability of FSEOG awards is limited by the amount of those funds allocated to an institution under a formula that takes into account the size of the institution, its costs and the income levels of its students. The Company is required to make a 25% contribution for all FSEOG awards disbursed. Resources for this institutional contribution may include institutional grants, scholarships and other eligible funds (i.e., funds from foundations and other charitable organizations) and, in certain states, portions of state scholarships and grants. During the 2002-2003 award year, the Company's contribution was met by approximately \$1.1 million in funds from its institutions and funds from state scholarships and grants and from foundations and other charitable organizations. Amounts received by students in the Company's institutions under the federal share (including the SEOG match) of the FSEOG programs in the 2002-2003 award year equaled approximately 0.9% of the Company's net revenue (on a cash basis).

FFEL and FDL. The FFEL program consists of two types of loans, Stafford loans, which are made available to students, and PLUS loans, which are made available to parents of students classified as dependents. Under the FDL program, students may obtain loans directly from the DOE rather than commercial lenders. The conditions on FDL loans are generally the same as on loans made under the FFEL program. Under the Stafford loan program, a student may borrow up to \$2,625 for the first academic year, \$3,500 for the second academic year and, in some educational programs, \$5,500 for each of the third and fourth academic years. Students with financial needs qualify for interest subsidies while in school and during grace periods. Students who are classified as independent can increase their borrowing limits and receive additional unsubsidized Stafford loans. Such students can obtain an additional \$4,000 for each of the first and second academic years and, depending upon the educational program, an additional \$5,000 for each of the third and fourth academic years. The obligation to begin repaying Stafford loans does not commence until six months after a student ceases enrollment as at least a half-time student. Amounts received by students in the Company's institutions under the Stafford program in the 2002-2003 award year equaled approximately 48.8% of the Company's net revenue (on a cash basis). PLUS loans may be obtained by the parents of a dependent student in an amount not to exceed the difference between the total cost of that student's education (including allowable expenses) and other aid to which that student is entitled. Amounts received by students in the Company's institutions under the PLUS program in the 2002-2003 award year equaled approximately 7.2% of the Company's net revenue (on a cash basis).

The Company's schools and their students use a wide variety of lenders and guaranty agencies and have generally not experienced difficulties in identifying lenders and guaranty agencies willing to make federal student loans. Additionally, the HEA requires the establishment of lenders of last resort in every state to ensure that students at any institution that cannot identify such lenders will have access to the FFEL program loans. None of our colleges use a lender of last resort.

Perkins. Eligible undergraduate students may borrow up to \$4,000 under the Perkins program during each award year, with repayment delayed until nine months after the borrower ceases to be enrolled on at least a half-time basis. Perkins loans are made available to those students who demonstrate a financial need. Perkins loans are made from a revolving account, 75% of which was initially capitalized by the DOE. Subsequent federal capital contributions, with an institutional contribution of one-third of the federal contribution, may be received if an institution meets certain requirements. Each institution collects payments on Perkins loans from its former students and loans those funds to currently enrolled students. Collection and disbursement of Perkins loans is the responsibility of each participating institution. During the 2002-2003 award year, the Company collected approximately \$733,000 from its former students in repayment of Perkins loans. In the 2002-2003 award year, the Company had no required matching contribution. The Perkins loans disbursed to students in the Company's institutions in the 2002-2003 award year equaled approximately 0.7% of the Company's net revenue (on a cash basis).

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FWS. Under the FWS program, federal funds are made available to pay up to 75% of the cost of compensation for part-time employment of eligible students, based on their financial need, to perform work for the institution or for off-campus public or non-profit organizations. During the 2002-2003 award year, the Company's institutions and other organizations provided matching contributions totaling approximately \$457,000. At least 7% of an institution's FWS allocation must be used to fund student employment in community service positions. FWS earnings are given directly to the student for their own discretionary use.

Federal Oversight of the Title IV Programs

The substantial amount of federal funds disbursed through the Title IV Programs coupled with the large numbers of students and institutions participating in those programs have led to instances in the past of fraud, waste and abuse. As a result, the United States Congress has required the DOE to increase its level of regulatory oversight of institutions to ensure that public funds are properly used. Each institution which participates in the Title IV Programs must annually submit to the DOE an audit by an independent accounting firm of that institution's compliance with the Title IV Program requirements, as well as audited financial statements. The DOE also conducts compliance reviews, which include on-site evaluations, and directs student loan guaranty agencies to conduct additional reviews relating to the FFEL programs. In addition, the Office of the Inspector General of the DOE conducts audits and investigations of institutions in certain circumstances. Under the HEA, accrediting agencies and state licensing agencies also have responsibilities for overseeing institutions' compliance with Title IV Program requirements. As a result, each participating institution, including each of our institutions, is subject to frequent and detailed oversight and must comply with a complex framework of laws and regulations or risk being required to repay funds or becoming ineligible to participate in the Title IV Programs. In addition, the DOE periodically revises its regulations and changes its interpretation of existing laws and regulations.

Cohort Default Rates. A significant component of the Congressional initiative aimed at reducing fraud, waste and abuse was the imposition of limitations on participation in the Title IV Programs by institutions whose former students defaulted on the repayment of federally guaranteed or funded student loans at an excessive rate (Cohort Default Rates). Many institutions, including all of the Company's institutions within the United States, have responded by implementing aggressive student loan default management programs aimed at reducing the likelihood of students failing to repay their federally guaranteed loans in a timely manner. An institution's Cohort Default Rates under the FFEL and FDL programs are calculated on an annual basis as the rate at which student borrowers scheduled to begin repayment on their loans in one federal fiscal year default on those loans by the end of the next federal fiscal year. An institution that participates in both the FFEL and FDL programs receives a single weighted average Cohort Default Rate in place of an FFEL or FDL Cohort Default Rate. Any institution whose Cohort Default Rate equals or exceeds 25% for any one of the three most recent federal fiscal years may be found by the DOE to lack administrative capability and, on that basis, placed on provisional certification status for up to three years. Provisional certification status does not limit an institution's access to Title IV Program funds but does subject that institution to closer review by the DOE and possible summary adverse action if that institution commits violations of the Title IV Program requirements. Any institution whose Cohort Default Rates equal or exceed 25% for three consecutive years may lose eligibility to participate in the FFEL or FDL programs for the remainder of the federal fiscal year in which the DOE determines that such institution has lost its eligibility and for the two subsequent federal fiscal years. In addition, an institution whose Cohort Default Rate for any federal fiscal year exceeds 40% may have its eligibility to participate in all of the Title IV Programs limited, suspended or terminated. In amendments to the HEA provide that institutions which become ineligible to participate in the Title IV Programs because of Cohort Default Rates in excess of the applicable levels would also become ineligible to participate in the Pell grant program. Since the calculation of Cohort Default Rates involves the collection of data from many non-governmental agencies (i.e., lenders, private guarantors or servicers), as well as the DOE, the HEA provides a formal process for the review and appeal of the accuracy of Cohort Default Rates before the DOE takes any action against an institution based on such rates.

We proactively manage our students' repayment obligations and have engaged a professional default management firm to assist us in reducing the Cohort Default Rates at our institutions. To date this firm has

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favorably impacted the Cohort Default Rates. We believe that professional default management services can continue to assist us in reducing the Cohort Default Rates at our institutions.

Due to excessive Cohort Default Rates during 1992 to 1996, six of our schools became ineligible to participate in the FFEL programs beginning in May 1997 and a seventh school lost its eligibility to participate in the FFEL program in June of 1994. Through the Company's aggressive default management efforts and as a result of negotiations with the DOE, all seven of our institutions had been reinstated and were participating in the Title IV Programs by October 2000.

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The following table sets forth the final Cohort Default Rates for our institutions for federal fiscal years 1999, 2000, and 2001:

Institution	1999	2000	2001(4)
Degree-Granting Colleges(3)			
Blair College, Colorado Springs, CO	16.6%	18.1%	14.4%
Duff's Business Institute, Pittsburgh, PA	22.5%	19.4%	24.1%
FMU, Orlando (North), FL (Orlando South, and Melbourne, FL)(2)	9.5%	10.7%	12.4%
FMU, Pinellas, FL (Lakeland and Jacksonville, FL)(2)	10.1%	11.3%	11.1%
FMU, Tampa, FL (Brandon, FL)(2)	11.9%	13.9%	12.9%
FMU, Ft. Lauderdale, FL	11.4%	14.5%	13.0%
Las Vegas College, Las Vegas, NV	16.5%	13.3%	17.6%
Mountain West College, Salt Lake City, UT	12.9%	9.5%	15.6%
Parks College, Aurora, CO (Thornton, CO, and Arlington, VA)(2)	17.7%	17.0%	15.7%
Rochester Business Institute, Rochester, NY (Everest College, Arlington, TX)(2)	14.2%	17.3%	16.3%
Everest College, Phoenix, AZ	12.9%	10.9%	8.5%
Springfield College, Springfield, MO (Everest College, Rancho Cucamonga, CA)(2)	18.2%	18.3%	17.1%
Western Business College, Portland, OR (Vancouver, WA, and Everest College, Dallas, TX)(2)	11.3%	13.4%	9.2%
National School of Technology, North Miami Beach, FL (Hialeah, FL)(2)	6.7%	11.2%	15.2%
National School of Technology, Kendall, FL	7.6%	11.3%	14.2%
Wyo-Tech (Laramie, WY, and Blairsville, PA)(2)	5%	4.9%	5.5%
Diploma-Granting Colleges(3)			
Bryman Institute, Brighton, MA	13.8%	9.9%	9.7%
Bryman College, El Monte, CA	11.2%	14.2%	12.0%
Bryman College, Gardena, CA (GMI, Norcross, GA)(2)	17.1%	17.6%	11.7%
Bryman College, Los Angeles, CA	13.3%	16.6%	10.1%
Bryman College, Anaheim, CA	12.9%	15.2%	6.7%
Bryman College, San Francisco, CA (Olympia College, Chicago, IL)(2)	12.2%	15.3%	13.2%
Bryman College, San Jose, CA	12.7%	13.9%	10.0%
Bryman College, Hayward, CA (New Orleans, LA)(2)	19.2%	7.1%	11.9%
Bryman College, Renton, WA (Lynwood, WA)(2)	14.7%	12.4%	10.0%
Bryman College, Reseda, CA	10.8%	9.6%	7.7%
Bryman College, Ontario, CA	12.5%	7.5%	9.5%
Bryman College, Torrance, CA(1)	25.0%	7.5%	6.6%
Computer Training Academy, San Jose, CA	15.6%	13.9%	9.7%
GMI, Atlanta, GA (Jonesboro and Marietta, GA)(2)	2.8%	15.7%	18.5%
Kee Business College, Newport News, VA (Chesapeake, VA)(2)	12.3%	9.5%	10.9%
NIT, Cross Lanes, WV (GMI, Dekalb, GA)(2)	11.3%	10.2%	13.2%
NIT, Long Beach, CA (Bryman College, West Los Angeles and Whittier, CA)(2)	15.0%	14.7%	15.8%
NIT, San Antonio, TX (Houston, Greenspoint, and Hobby, TX)(2)	15.8%	12.0%	14.3%
NIT, Southfield, MI (Dearborn, MI, and Austin, TX)(2)	18.9%	17.0%	15.1%
Olympia College, Skokie, IL (Burr Ridge, IL)(2)	7.2%	18.7%	10.0%
Olympia Career Training Institute, Grand Rapids, MI, (Kalamazoo, MI, and Olympia College, Merrillville, IN)(2)	7.4%	12.1%	8.5%
Bryman College, San Bernardino, CA	0%	0%	2.7%

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- (1) The 1999 rate for Bryman College, Torrance, California is an unofficial rate because there were less than 30 students in the cohort. Accordingly, the 1999 rate will not count against the college in determining its Title IV eligibility.
- (2) Indicates additional locations wherein the Cohort Default Rates are blended with the main campus.
- (3) Additionally, subsequent to our fiscal year end, we acquired East Coast Aero Tech, LLC whose default rates were 16.6% in 1999, 14.0% in 2000 and 10.2% in 2001, and Career Choices, Inc. whose default rates are as follows: Ashmead were 9.1% in 1999, 6.2% in 2000 and 7.3% in 2001; Eton were 10.4% in 1999, 9.8% in 2000 and 9.0% in 2001; Sequoia were 16.2% in 1999, 16.9% in 2000 and 17.1% in 2001.
- (4) The Company has appealed certain rates and is awaiting final determination.

In addition, if an institution's Cohort Default Rate for loans under the Perkins program exceeds 15% for any federal award year (i.e., July 1 through June 30), that institution may be placed on provisional certification status for up to three years. Fifteen of the Company's institutions have Perkins program Cohort Default Rates in excess of 15% for students who were scheduled to begin repayment in the 2001 federal award year, the most recent year for which such rates have been calculated. During fiscal 2002, Perkins loans amounted to approximately 0.7% of total Company revenues (on a cash basis). The Perkins program Cohort Default Rates for these institutions ranged from 16.7% to 48.6%. Default rates in excess of 15% could result in provisional certification status. Historically, provisional certification due to excessive Perkins program Cohort Default Rates has not had a material adverse effect on our business.

Beyond the efforts of our outside professional default management firm, each of the Company's colleges has adopted an internal student loan default management plan. Those plans emphasize to students the importance of meeting loan repayment requirements and provide for extensive loan counseling, along with methods to increase student persistence and completion rates and graduate employment (placement) rates. Immediately upon a student's cessation of enrollment, the professional default management firm initiates regular contact with the student, and maintains regular contact throughout the grace period, and continues this activity through the entire cohort period. The colleges continue to work with the default management firm to maintain accurate and up-to-date information on address changes, marital status changes, or changes in circumstance that may allow the student to apply for deferments. These activities are all in addition to the loan servicing and collection activities of FFEL lenders and guarantee agencies.

Increased Regulatory Scrutiny. The HEA provides for a three-part initiative, generally referred to as the Triad, to provide regulatory scrutiny of post-secondary education institutions. One part of the Triad consists of accrediting agencies which review and accredit the Company's campuses and conducts reviews of substantial breadth. Their examinations pertain to such areas as student achievement, curriculum, faculty, facilities, equipment, admissions, financial responsibility and timeliness of student refunds. The Triad provisions also require each accrediting agency recognized by the DOE to undergo comprehensive periodic reviews by the DOE to ascertain whether such accrediting agency is adhering to required standards.

A second part of the Triad involves the standards to be applied by the DOE in evaluating the financial responsibility and administrative capability of institutions participating in the Title IV Programs. In addition, the Triad mandates that the DOE periodically review the eligibility and certification to participate in the Title IV Programs of every such eligible institution. By law, all institutions are required to undergo a recertification review at least every six years, although the DOE may recertify an institution for a shorter time period. Under these standards, each of our institutions is evaluated by the DOE on a routine basis. A denial of recertification would preclude an institution from continuing to participate in the Title IV Programs.

A third part of the Triad involves approvals by state education agencies with jurisdiction over educational institutions. State requirements are important to an institution's eligibility to participate in the Title IV Programs since an institution must be licensed or otherwise authorized to operate in the state in which it offers education or training services in order to be certified as eligible. The level of regulatory oversight varies substantially from state to state. In some states, the campuses are subject to licensure by the state education agency and also by a separate higher education agency. State laws establish standards for instruction, qualifications of faculty, location and nature of facilities, financial policies and responsibility and other

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operational matters. State laws and regulations may limit the ability of the Company to obtain authorization to operate in certain states or to award degrees or diplomas or offer new degree programs. Certain states prescribe standards of financial responsibility that are different from those prescribed by the DOE. The Company believes that each of its campuses is in substantial compliance with state authorizing and licensure laws.

Financial Responsibility Standards. All institutions participating in the Title IV Programs must satisfy a series of specific standards of financial responsibility. Institutions are evaluated for compliance with those requirements in several circumstances, including as part of the DOE's recertification process and also annually as each institution submits its audited financial statements to the DOE. As part of the evaluation of an institution's financial responsibility, the DOE calculates three financial ratios for an institution, an equity ratio, a primary reserve ratio, and a net income ratio, each of which is scored separately and is then combined to determine the institution's financial responsibility. If an institution's composite score is below the minimum requirement for unconditional approval (which is a score of 1.5) but above a designated threshold level (the Zone, which is 1.0 to 1.4), such institution may take advantage of an alternative that allows it to continue to participate in the Title IV Programs for up to three years under additional monitoring and reporting procedures but without having to post a letter of credit in favor of the DOE. If an institution's composite score falls below the minimum threshold level of 1.0 or is in the Zone for more than three consecutive years, the institution may be required to post a letter of credit in favor of the DOE.

For fiscal 2003, our calculations reflect that all of our schools exceed the requirements for financial responsibility on an individual basis, with composite scores ranging from 1.8 to 3.0. Also, the Company, on a consolidated basis, meets the requirements with the composite score of 2.6.

An institution that is determined by the DOE not to meet the standards of financial responsibility is nonetheless entitled to participate in the Title IV Programs if it can demonstrate to the DOE that it is financially responsible on an alternative basis. An institution may do so by posting a surety either in an amount equal to 50% (or greater, as the DOE may require) of the total Title IV Program funds received by students enrolled at such institution during the prior year or in an amount equal to 10% (or greater, as the DOE may require) of such prior year's funds if the institution also agrees to provisional certification and to transfer to the reimbursement or cash monitoring system of payment for its Title IV Program funds. The DOE has interpreted this surety condition to require the posting of an irrevocable letter of credit in favor of the DOE.

Under a separate standard of financial responsibility, if an institution has made late Title IV refunds to students in its prior two years, the institution is required to post a letter of credit in favor of the DOE in an amount equal to 25% of the total Title IV Program refunds paid by the institution in its prior fiscal year. As of July 1, 1997, this standard was modified to exempt an institution that has not been found to make late refunds to 5% or more of its students who were due refunds in either of the two most recent fiscal years and has not been cited for a reportable condition or material weakness in its internal controls related to late refunds in either of its two most recent fiscal years. Based on this standard, the Company currently has outstanding letters of credit relating to these programs in the aggregate amount of approximately \$3.8 million. Although there are no citations for material weaknesses in the Company's or its colleges' internal controls, there can be no assurance that, upon review by the DOE, that we will not be required to post additional letters of credit in favor of the DOE on behalf of the affected colleges.

Restrictions on Acquiring or Opening Additional Schools and Adding Educational Programs. An institution which undergoes a change of ownership resulting in a change in control, including all of the institutions that we have acquired or will acquire, must be reviewed and recertified for participation in the Title IV Programs under its new ownership. If an institution is recertified following a change of ownership, it will be on a provisional basis. During the time an institution is provisionally certified, it may be subject to closer review by the DOE and to summary adverse action for violations of Title IV Program requirements, but provisional certification does not otherwise limit an institution's access to Title IV Program funds. All of our schools have been provisionally certified following their acquisition by us. As of June 30, 2003, 10 of our schools are still on provisional certification due to their change in ownership when we acquired them.

The HEA generally requires that proprietary institutions be fully operational for two years before applying to participate in the Title IV Programs. However, under the HEA and applicable regulations, an institution

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that is certified to participate in the Title IV Programs may establish an additional location and apply to participate in the Title IV Programs at that location without reference to the two-year requirement, if such additional location satisfies all other applicable Title IV Program participation eligibility requirements. Our expansion plans are based, in part, on its ability to acquire schools that can be recertified and to open additional locations as branch campuses of existing institutions.

Generally, if an institution that is eligible to participate in the Title IV Programs adds an educational program after it has been designated as an eligible institution, the institution must apply to the DOE to have the additional program designated as eligible. However, an institution is not obligated to obtain DOE approval of an additional program that leads to an associate's, bachelor's, professional or graduate degree or which prepares students for gainful employment in the same or related recognized occupation as an educational program that has previously been designated as an eligible program at that institution and meets certain minimum length requirements. Furthermore, short-term educational programs, which generally consist of those programs that provide at least 300 but less than 600 clock hours of instruction, are eligible only for FFEL funding and only if they have been offered for a year and the institution can demonstrate, based on an attestation by its independent auditor, that at least 70% of all students who enroll in such programs complete them within a prescribed time and at least 70% of those students who graduate from such programs obtain employment in the recognized occupation for which they were trained within a prescribed time. Certain of our colleges offer such short-term programs in compliance with DOE regulations. Students enrolled in such programs represent a small percentage of the total enrollment at our colleges. In the event that an institution erroneously determines that an educational program is eligible for purposes of the Title IV Programs without the DOE's express approval, the institution would likely be required to repay the Title IV Program funds provided to students in that educational program. Certain of the state authorizing agencies and accrediting agencies with jurisdiction over our campuses also have requirements that may, in certain instances, limit our ability to open a new campus, acquire an existing campus or establish an additional location of an existing institution or begin offering a new educational program.

Ability to Benefit Regulations. Under certain circumstances, an institution may elect to admit non-high school graduates into certain of its programs of study. In such instances, the institution must demonstrate that the student has the ability to benefit from the program of study. Thirty-six of the Company's colleges admit ATB students into their programs. The basic evaluation method to determine that a student has the ability to benefit from the program is the student's achievement of a minimum score on a test approved by the DOE and independently administered in accordance with DOE regulations. In addition to the testing requirements, the DOE regulations also prohibit enrollment of ATB students from constituting 50% or more of the total enrollment of the institution. None of our colleges that accept ATB students has an ATB enrollment population that exceeds 50% of the total enrolled population. As of June 30, 2003, ATB students represented approximately 6.4% of our total student population.

The 90/10 Rule Under a provision of the HEA commonly referred to as the 90/10 Rule, a private, for-profit institution, such as each of the Company's institutions, would cease being eligible to participate in the Title IV Programs if, on a cash accounting basis, more than 90% of its revenue for the prior fiscal year was derived from the Title IV Programs. Any institution that violates the 90/10 Rule immediately becomes ineligible to participate in the Title IV Programs and is unable to apply to regain its eligibility until the following fiscal year. We have calculated, our independent financial aid auditors have certified, that, since this requirement took effect each of our institutions have met this requirement in each fiscal year. We regularly monitor compliance with this requirement in order to minimize the risk that any of our institutions would derive more than the applicable thresholds of its revenue from the Title IV Programs for any fiscal year. If an institution appears likely to approach the threshold, we would evaluate the appropriateness of making changes in student funding and financing to ensure compliance with the 90/10 Rule.

Restrictions on Payment of Bonuses, Commissions or Other Incentives. The HEA prohibits an institution from providing any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any person or entity engaged in any student recruitment, admission or financial aid awarding activity for programs eligible for Title IV Program funds. We believe that our current compensation plans are in compliance with HEA standards.

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

Canadian Regulations

Subsequent to our fiscal 2003 year end, we acquired approximately 90% of the common shares of CDI and announced that we intended to acquire the remaining shares of CDI through exercise of our compulsory acquisition rights under the laws of the Province of Ontario, Canada. The schools operated by CDI's post-secondary are subject to extensive regulations in the provinces in which they operate. We believe these schools currently hold all necessary registrations, approvals and permits and meet all eligibility requirements to participate in governmental financial aid programs in their respective provinces. If these schools cannot continue to meet eligibility standards or fail to comply with applicable requirements, it could have a material adverse effect on CDI's business, results of operations or financial condition.

RISKS RELATED TO OUR BUSINESS

Risks Related To Extensive Regulation Of Our Business

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

We derive a majority of our revenues from federal student financial aid programs. To participate in such programs an institution must obtain and maintain authorization by the appropriate state agencies, accreditation by an accrediting agency recognized by the DOE, and certification by the DOE. As a result, our schools are subject to extensive regulation by these agencies that, among other things, requires us to:

undertake steps to assure that the students at each of our schools do not default on payments to third party lenders for funded student loans, when the loans are federally guaranteed, at a rate of 25% or more for three consecutive years;

limit the percentage of revenues derived at each of our institutions from federal student financial aid programs to less than 90%;

adhere to financial responsibility and administrative capability standards;

prohibit the payment of incentives to personnel engaged in student recruiting, admissions activities or awarding financial aid; and

achieve stringent completion and placement outcomes for short-term programs.

These regulations also affect our ability to acquire or open additional schools or change our corporate structure. These regulatory agencies periodically revise their requirements and modify their interpretations of existing requirements.

If one or more of our schools were to violate any of these regulatory requirements, we could suffer fines, penalties or other censure, including the loss of our ability to participate in federal student financial aid programs at those schools, any of which could have a materially adverse effect on our business. We cannot predict how all of these requirements will be applied, or whether we will be able to comply with all of the requirements in the future. Some of the most significant regulatory requirements and risks that apply to our schools are described in the following paragraphs.

Congress may change the law or reduce funding for federal student financial aid programs, which could harm our business.

Congress regularly reviews and revises the laws governing the federal student financial aid programs and annually determines the funding level for each of these programs. Any action by Congress that significantly reduces funding for the federal student financial aid programs or the ability of our schools or students to

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participate in these programs could harm our business. Legislative action may also increase our administrative costs and burden and require us to modify our practices in order for our schools to comply fully with applicable requirements, which could have a material adverse effect on our business.

For example, the 1998 amendments to the HEA changed substantially the way federal student financial aid funds are handled when a student withdraws from a school. Instead of the previous federal refund policy, institutions must follow requirements which ensure the return to the federal student financial aid programs of all of the unearned funds of a student who withdraws from a program. We have implemented policies to require our schools to make refund calculations in accordance with current regulations.

The effect of these refund policies is to generally reduce the amount of federal loans and grant funds available to students who withdraw from school before finishing their programs. Consequently, the amount of money owed directly by the students to the schools could increase and, to the extent the students fail to pay the amounts owed, the Company's bad debt expense would increase. We have implemented procedures designed to mitigate the adverse impact of these federal refund policies. The procedures, however, may be insufficient to entirely mitigate any adverse effect on bad debt expense. Any significant increase in bad debt expense could have a material adverse effect on our business.

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

To participate in the federal student financial aid programs, an institution must either satisfy quantitative standards of financial responsibility, or post a letter of credit in favor of the DOE and possibly accept other conditions on its participation in the federal student financial aid programs. Each year, based on financial information submitted by institutions that participate in federal student financial aid programs, the DOE calculates three financial ratios for an institution: an equity ratio, a primary reserve ratio and a net income ratio. Each of these ratios is scored separately and then combined to determine the institution's financial responsibility. If an institution's score is above 1.5, it may continue its participation in federal student financial aid programs. For fiscal 2003, our calculations show that all of our schools exceed this requirement on an individual basis and are eligible to participate in the federal student financial aid programs, with composite scores ranging from 1.8 to 3.0. On a consolidated basis, our Company also exceeds this requirement with the composite score of 2.6. We cannot assure you that we and our institutions will continue to satisfy the numeric standards in the future.

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

A proprietary institution loses its eligibility to participate in the federal student financial aid programs for a period of one year if it derives more than 90% of its revenues, on a cash basis, from these programs in any fiscal year. Any institution that violates this rule immediately becomes ineligible to participate in federal student financial aid programs and is ineligible to reapply to regain its eligibility until the following fiscal year. Based on our calculations, none of our schools received more than 90% of its revenues, on a cash basis, in fiscal 2003, with our highest institution receiving 87.1% of its revenues, on a cash basis, from federal student financial aid programs. On a consolidated basis, the Company received 81.9% of its revenues, on a cash basis, from federal student financial aid programs in fiscal 2003. If any of our institutions, depending on its size, loses eligibility to participate in federal student financial aid programs, it could have a material adverse effect on our business.

Our schools may lose eligibility to participate in federal student financial aid programs if their current and former students' loan default rates on funded student loans made by third parties which are federally guaranteed are too high.

An institution may lose its eligibility to participate in some or all of the federal student financial aid programs if defaults by its former students on their federal student loans funded by third parties and such loans are federally guaranteed, equal or exceed 25% per year for three consecutive years. For federal fiscal year 2001,

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the last year for which final rates have been published, default rates for our institutions range from a low of 2.7% to a high of 24.1%. The Company reviews all annually published Cohort Default Rates and appeals the rates it believes are inaccurate. Even though rates are published as final, they are still subject to appeal by the Company and may change based on current and future appeals that may be submitted by the Company. If any of our institutions, depending on its size, loses eligibility to participate in federal student financial aid programs because of high student loan default rates, it could have a material adverse effect on our business.

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

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

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

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

If Congress fails to reauthorize the HEA, or substantially reduces access to federal student financial aid programs by our students, our business would be harmed.

Congress is currently in various stages of reviewing the reauthorization of HEA, which provides for federal student financial aid programs. Approximately 81.9% of our revenues (on a cash basis) are derived from federal student financial aid programs. The reauthorization is in the early stages of Congressional review and it is unclear what changes, if any, Congress may impose upon HEA as a result of reauthorization. As in previous reauthorizations, we believe that following reauthorization of HEA our students will have access to federal student financial aid programs. However, any action by Congress that significantly reduces funding for the federal student financial aid programs or the ability of our schools or students to participate in these programs could have a material adverse effect on our business. Legislative action may also increase our administrative costs and require us to modify our practices in order for our schools to comply fully with applicable requirements.

If any of our schools fails to maintain its state authorizations and accreditations, we may lose our ability to operate in that state and to participate in federal student financial aid programs.

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

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During fiscal year 2004, current accreditation for 10 of our schools will expire and these schools will be subject to reaccreditation reviews. If one or more of these schools fails to be reaccredited, our business could be harmed.

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

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

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

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

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

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

Regulatory agencies or third parties may commence investigation, bring claims or institute litigation against us.

Because we operate in a highly regulated industry, we may be subject from time to time to investigations, claims of non-compliance, or lawsuits by governmental agencies or third parties, which may allege statutory violations, regulatory infractions, or common law causes of action. If the results of the investigations are unfavorable to us or if we are unable to successfully defend against third-party lawsuits, we may be required to pay money damages or be subject to fines, penalties, injunctions or other censure that could have a materially adverse effect on our business. Even if we adequately address the issues raised by an agency investigation or successfully defend a third-party lawsuit, we may have to devote significant money and management resources to address these issues, which could harm our business.

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

Our recently-acquired CDI post-secondary schools derive a significant percentage of their revenue from Canadian governmental financial aid programs. Depending on their province of residence, our Canadian students may receive loans under various student financial aid programs.

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

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

Operational Risks That Could Have A Material Adverse Effect On Our Business

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

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

Failure to effectively manage our growth could harm our business.

We have grown rapidly since we formed our company in 1995. Our rapid growth, now or in the future, could place a strain on our management, operations, employees or resources. We cannot assure our stockholders that we will be able to maintain or accelerate our current growth rate, effectively manage our expanding operations or achieve planned growth on a timely or profitable basis. If we are unable to manage our growth effectively, our business could be materially adversely affected.

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

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

diversion of management resources;

integration of the acquired schools' operations;

adverse short-term effects on reported operating results; and

possible loss of key employees.

Continued growth through acquisition may also subject us to unanticipated business or regulatory uncertainties or liabilities. When we acquire an existing school, we typically allocate a significant portion of the purchase price to fixed assets, curriculum, goodwill and intangibles, such as covenants not-to-compete, trade names and accreditations. For our acquisitions through fiscal 2002, we have amortized goodwill and trade names over a period of 40 years and curricula over three to 15 years. Effective July 1, 2002, the Company adopted SFAS No. 142,

Accounting for Business Combinations, Goodwill and Other Intangible Assets, in its entirety. Under SFAS 142, goodwill is no longer amortized on a periodic basis, but instead is subject to an impairment test to be performed at least on an annual basis. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives. In addition, our acquisition of a school is a change of ownership of that school, which may result in the temporary suspension of that school's participation in federal student financial aid programs until it obtains the DOE's approval. If we fail to successfully manage our acquisitions, our business would likely suffer.

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

Establishing new schools requires us to make investments in management, capital expenditures, marketing expenses and other resources. To open a new school, we are also required to obtain appropriate state and accrediting agency approvals. In addition, to be eligible for federal student financial aid programs, the new

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school is required to be certified as eligible to receive Title IV funds by the DOE. We cannot assure you that we will be able to successfully open new schools in the future. Our failure to effectively manage the operations of newly established schools could have a material adverse effect on our business.

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

We depend on key personnel, including David G. Moore, Anthony Digiovanni, Dennis L. Devereux, Dennis N. Beal, Beth A. Wilson, Mary H. Barry, Mark L. Pelseh, Nolan A. Miura, Stan A. Mortensen and Paul T. Dimeo to effectively operate our business. If any of these people left our Company and we failed to effectively manage a transition to new people, our business could suffer.

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

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

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

discourage a proxy contest;

make the acquisition of a substantial block of our common stock more difficult; or

limit the price investors may be willing to pay in the future for shares of our common stock.

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

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

Competitors with greater resources could harm our business.

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

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

We believe that funds from operations, cash, investments and borrowings under our \$235 million Amended Credit Agreement will be adequate to fund our current operation plans for the foreseeable future. However, we may need additional debt or equity financing in order to carry out our strategy of growth through

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acquisitions. We may also need additional debt or equity financing in the future to carry out our growth strategy. The amount and timing of such additional financing will vary principally depending on the timing and size of acquisitions and the sellers' willingness to provide financing themselves. To the extent that we require additional financing in the future and are unable to obtain such additional financing, we may not be able to fully implement our growth strategy.

Item 2. Properties

Our corporate office is located in Santa Ana, California and our 69 campuses and two training centers, as of June 30, 2003, are located in 21 states. Each campus provides our students with lecture halls, instructional medical labs, libraries, Internet access and other facilities.

We actively monitor the capacity of our facilities and future capacity in our facilities required to accommodate campus growth initiatives. We provide for expansion and future growth at each campus through relocations to larger facilities and by expanding or remodeling at existing facilities. From the end of fiscal 1999 through fiscal 2003, approximately 27% of the campuses have been relocated and an additional 55% of total campuses have been either expanded or remodeled. The following table reflects the number of campuses added or closed, the number of campuses and the number of campuses that have been relocated, enlarged or remodeled in each of the last five fiscal years ended:

During Fiscal Years Ended	6/30/99	6/30/00	6/30/01	6/30/02	6/30/03(1)
Opened					
Acquired	0	5	9	3	4
Branched	2	2	4	4	6
Closed	0	0	1	1	0
Combined with another campus	0	0	0	1	0
Total campuses/training centers at year end	37	44	56	61	71
Relocated	5	2	3	6	3
Enlarged or remodeled	1	2	9	10	17

(1) Excludes the 56 colleges and 15 training centers acquired in August 2003 following our fiscal year end.

All but three of our campuses, and two buildings at Wyo-Tech, are leased. In addition, we lease our headquarters offices. Most of our leases have primary terms between five and ten years with options to extend the lease, at our election.

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Square footage of the Company's colleges varies significantly based upon the type of programs offered and the market being served. The following table reflects square footage by location as of June 30, 2003:

Degree-Granting Colleges(2)	Approx. Square Footage
Blair College, Colorado Springs, CO	35,000
Duff's Business Institute, Pittsburgh, PA	30,370
FMU, Brandon, FL	35,250
FMU, Ft. Lauderdale, FL	34,500
FMU, Jacksonville, FL	27,775
FMU, Lakeland, FL	30,428
FMU, Melbourne, FL(1)	22,238
FMU, Orlando (North), FL	39,424
FMU, Orlando (South), FL	60,000
FMU, Pinellas, FL	30,734
FMU, Tampa, FL(1)	29,380
Las Vegas College, Las Vegas, NV	27,541
Mountain West College, Salt Lake City, UT	24,200
Parks College, Thornton, CO(1)	28,000
Parks College, Aurora, CO	33,000
Parks College, Arlington, VA	16,619
Rochester Business Institute, Rochester, NY	39,424
Everest College, Phoenix, AZ	28,251
Everest College, Rancho Cucamonga, CA	28,556
Springfield College, Springfield, MO	25,791
Western Business College, Vancouver, WA	19,306
Western Business College, Portland, OR	26,800
NST, North Miami Beach, FL	34,597
NST, Hialeah, FL	22,282
NST, Kendall, FL	29,354
Wyo-Tech, Laramie, WY	413,277
Wyo-Tech, Blairsville, PA(3)	220,662
Everest College, Dallas, TX	22,934
Everest College, Arlington, TX	21,500
Corporate Offices	
Santa Ana, CA	120,598
Gulfport, MS	3,021
Miami, FL	4,410

Diploma-Granting Colleges(2)	Approx. Square Footage
Bryman Institute, Brighton, MA	23,905
Bryman College, El Monte, CA	22,497
Bryman College, Gardena, CA	25,666
Bryman College, Los Angeles, CA	22,591
Bryman College, New Orleans, LA	19,939
Bryman College, Anaheim, CA	20,940
Bryman College, San Francisco, CA	24,945
Bryman College, San Jose, CA	24,158
Bryman College, Hayward CA	20,000
Bryman College, Reseda, CA	19,486
Bryman College, Renton, WA	34,859
Bryman College, Lynnwood, WA	19,593

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Bryman College, Ontario, CA	12,244
Bryman College, West Los Angeles, CA	27,146
Bryman College, Whittier, CA	21,030
Bryman College, Torrance, CA	7,399
Computer Training Academy, San Jose, CA	17,088
GMI, Atlanta, GA	18,118
GMI, Jonesboro, GA	20,630
GMI, Marietta, GA	24,959
GMI, Dekalb, GA	18,000
Kee Business College, Newport News, VA	16,215
Kee Business College, Chesapeake, VA	21,299
NIT, Cross Lanes, WV	24,700
NIT, Dearborn, MI	21,384
NIT, Greenspoint, TX	23,648
NIT, Hobby, TX	20,574
NIT, Houston, TX	20,585
NIT, Long Beach, CA	42,712
NIT, San Antonio, TX	35,800
NIT, Southfield, MI	32,473
Olympia Career Training Institute, Grand Rapids, MI	22,255
Olympia Career Training Institute, Kalamazoo, MI	16,450
Olympia College, Merrillville, IN	19,756
Olympia College, Skokie, IL	20,077
Bryman College, San Bernardino, CA	24,158
Olympia College, Burr Ridge, IL	20,000
GMI, Norcross, GA	19,397
NIT, Austin, TX	20,768
Learning Tree University, Chatsworth, CA	31,400
Learning Tree University, Cost Mesa, CA	17,900
Olympia College, Chicago, IL	24,331
Grand Total	2,506,297

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- (1) Indicates owned properties
- (2) Excludes the 56 colleges and 15 training centers acquired in August 2003 following our fiscal year end and new branches to open in fiscal 2004.
- (3) Leased portion is approximately 79,900 and owned portion is approximately 140,762

Item 3. Legal Proceedings

In the ordinary conduct of our business, we and our colleges are subject to occasional lawsuits, investigations and claims, including, but not limited to, claims involving students or graduates and routine employment matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, we do not believe that any currently pending legal proceedings to which we are a party will have a material adverse effect on our business, results of operations or financial condition.

One of the legal actions currently pending against us is *Aldape, et al. v. Corinthian Schools, Inc., et al.*, originally reported in our Report on Form 10-K for the fiscal year ended June 30, 2002. Since the date of that report, the Court has granted our motion to compel arbitration with respect to the claims of the eight of the nine individual plaintiffs who are former students of the Company's Bryman campus in Los Angeles, California (the Individual Plaintiffs). Accordingly, eight of the Individual Plaintiffs' claims will be adjudicated in binding arbitration. A decision on the motion to compel arbitration as to the ninth Individual Plaintiff is pending. Additionally, plaintiffs' attorney has voluntarily agreed to dismiss all claims by the Trade School Review Association and the claims by the Individual Plaintiffs under the California Business and Professions Code for restitution on behalf of themselves and as private attorneys general on behalf of all persons similarly situated. We believe the plaintiffs' claims are without merit and we intend to vigorously defend the Company against them.

On or about March 18, 2003, a complaint was filed (but not served) with the Los Angeles Superior Court entitled *Socorra Estrada v. Corinthian Schools, Inc., et al.* Plaintiff is a former student in the Company's Bryman College Campus in Whittier who enrolled in that campus prior to its acquisition by the Company from Educorp, Inc. (Educorp) in October 2000. Plaintiff initially alleged violation by the Company of the California Education Code, intentional misrepresentation and concealment. Plaintiff has since filed and served a First Amended Complaint in which she has dismissed her causes of action against the Company for violation of the California Education Code, intentional misrepresentation and concealment, but has added a cause of action against the Company seeking injunctive relief under California Business and Professions Code Section 17200. Plaintiff has also added Educorp and two individuals affiliated with Educorp as defendants in the matter. We believe the plaintiff's claims are without merit and we intend to vigorously defend the Company against them.

On or about May 29, 2003, a class action complaint was filed with the Los Angeles Superior Court entitled *Montoya v. Corinthian Schools, Inc., et al.* Plaintiff, a former instructor with the Company's Bryman College campus in El Monte, California, alleges that she and other instructors employed by the Company's Corinthian Schools, Inc. subsidiary in the State of California for the previous four years were improperly classified as exempt from California's overtime compensation laws. Plaintiff states causes of action under California wage orders, California's Labor Code, and California's Business and Professions Code. Plaintiff seeks certification as a class, monetary damages in unspecified amounts, penalties, interest, attorneys' fees, exemplary damages, and injunctive relief. We believe the Company's classification of employees for overtime purposes has been consistent with applicable law and that the plaintiff's claims are without merit. We intend to vigorously defend the Company in this matter.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended June 30, 2003.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity and Related Stockholder Matters**
Dividend Policy

We have never paid cash dividends on our common stock. We currently anticipate retaining future earnings, if any, to finance internal growth and potential acquisitions. Payment of dividends in the future, if at all, will depend upon our earnings and financial condition and various other factors our Board of Directors may deem appropriate at the time. Our amended credit agreement restricts the payment of cash dividends.

Price Range of Common Stock

Our common stock is listed on the Nasdaq National Market System under the symbol COCO. The approximate number of holders of record of our common stock as of September 3, 2003 was 47 and we believe the number of beneficial owners to be in excess of 22,500. Our common stock was first listed on Nasdaq upon completion of our initial public offering in February 1999.

On September 3, 2003 the closing price per share of common stock was \$57.76 and the range of high and low sales prices of our common stock, as reported by the Nasdaq National Market System, for each applicable quarter in fiscal 2001, 2002 and 2003 is as follows after giving effect to the Company's two-for-one stock splits effected in the form of stock dividends in December 2000 and May 2002:

	Price Range of Common Stock	
	High	Low
Fiscal Years Ended June 30:		
2001:		
First Quarter	\$ 15.32	\$ 5.75
Second Quarter	21.50	12.32
Third Quarter	24.18	15.57
Fourth Quarter	26.00	17.00
2002:		
First Quarter	\$ 27.74	\$ 12.00
Second Quarter	21.19	15.00
Third Quarter	25.60	18.89
Fourth Quarter	34.88	24.38
2003:		
First Quarter	\$ 37.85	\$ 23.85
Second Quarter	40.95	32.21
Third Quarter	41.43	33.30
Fourth Quarter	49.88	38.78
2004:		
First Quarter (through September 3, 2003)	\$ 58.99	\$ 50.35

Item 6. Selected Financial Data

The following selected financial data are qualified by reference to, and should be read in conjunction with, our consolidated financial statements and the related notes thereto appearing elsewhere in this Report on Form 10-K and Management's Discussion and Analysis of Financial Condition and Results of Operations. The selected statement of operations data and the balance sheet data set forth below as of and for each of the five years ended June 30, 1999, 2000, 2001, 2002 and 2003 are derived from our audited consolidated financial

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statements. These historical results are not necessarily indicative of the results that may be expected in the future.

	Years Ended June 30,				
	1999	2000	2001	2002	2003
	(In thousands, except per share data)				
Statement of Operations Data:					
Net revenues(1)	\$ 132,972	\$ 170,734	\$ 244,163	\$ 338,146	\$ 517,293
Operating expenses:					
Educational services	76,425	92,757	131,501	175,088	251,366
General and administrative	13,961	16,346	19,562	29,614	49,770
Marketing and advertising	29,702	37,225	52,349	70,741	106,478
Total operating expenses	120,088	146,328	203,412	275,443	407,614
Income from operations	12,884	24,406	40,751	62,703	109,679
Interest (income)	(735)	(2,071)	(2,363)	(1,763)	(1,259)
Interest expense	2,413	390			