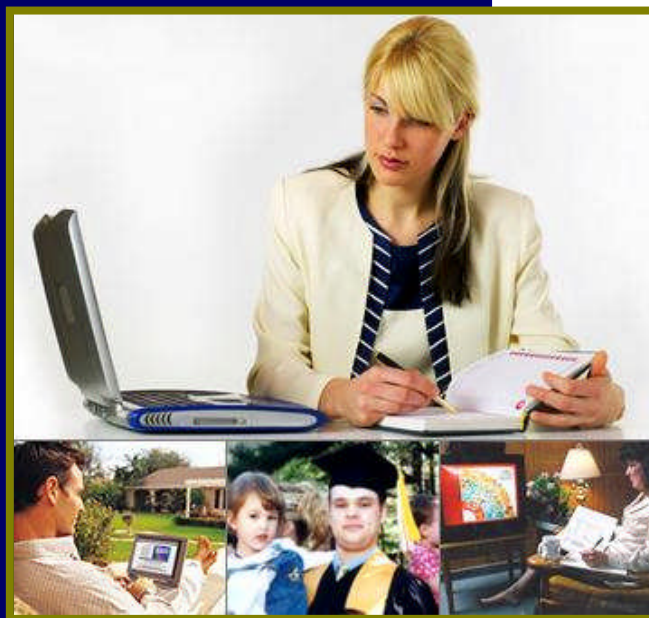


Post-Secondary Education

Coverage Report

“Market Intelligence for Industry Players”

Q2 2009



Capstone Partners
Investment Banking Advisors

Post-Secondary Education Coverage Report



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Introduction

The for-profit, post-secondary education (PSE) market in the United States has both benefited and suffered from the conditions created by the current economic downturn. While rising unemployment rates have pushed many potential students to seek new educational opportunities as a means of career advancement, tight credit markets and lower levels of discretionary income have had a negative impact on demand for PSE services. In addition, the lack of job openings has produced a growing group of career college graduates that simply cannot find employment. This last factor may have the most significant near-term impact on the growth prospects for the industry as the perception of increased job opportunities post-graduation is a primary driver of demand for these services. Career colleges that have programs that lend themselves to high post-graduate employment, therefore, stand to experience the most significant growth.

Student Financing Environment

The recent meltdown in the global credit markets has particularly effected students who require private loans in order to cover the costs of attending school. As the larger education lenders suffered from their exposure to troubled mortgages and business loans, loan availability dwindled while the credit score requirements increased significantly (in fact, 14% of the 50 education lenders halted their education lending programs altogether). At the same time, the parents of many potential PSE students experienced large drops in their investment accounts or even loss of employment, requiring more potential students to search for external financing. The combination of these factors limited a large percentage of potential career college students from attaining needed funds. This unfortunate situation has taken a toll on some PSE institutions as enrollment levels decreased while fixed educational costs remained the same or increased.

The government has taken some direct steps to increase the amount of subsidized loans available in the market (see following page), but these efforts are unlikely to completely bridge the gap that exists. This is especially true at educational institutions that have yet to qualify for Title IV government support. Some larger, established colleges have attempted to mitigate these issues by leveraging their own resources to provide financing for students in need.

As the credit markets continue to stabilize, we expect the volume of available loans will increase and credit score requirements will become more lenient in the next 12 to 24 months. In the meantime (based on our conversations with many leading schools and on the actions of several of Capstone's current PSE clients), we expect that many non-Title IV schools will push to achieve Title IV funding eligibility and that all schools will search for other creative ways to maximize funds that are currently available.

Recent Legislation

Private student lending has become an increasingly significant factor in the PSE market in the last decade. According to the College Board, private loans accounted for roughly 24 percent of all student lending in 2008, up from just 6 percent in 1998. The Federal Government has taken a variety of steps in order to address the recent issues associated with financing education. These actions have focused on three key areas: 1) directly increasing the availability of government loans; 2) indirectly creating an environment that encourages private lenders to increase lending; and 3) providing increased tax benefits to students and parents in order to lessen the burden of education costs. Some of these important areas were addressed in the recent stimulus package that has been signed into law by the President, while other items are still making their way through the legislative process.

On February 17, 2009, President Obama signed the \$787 billion stimulus package called the American Recovery and Reinvestment Act (ARRA). About \$31 billion of this bill is available to students and parents for K-12 and higher education for the next two academic years. A focal provision of ARRA as it pertains to education increased Pell Grant maximums by \$500 to \$5,350 for the 2009/10 academic year with an additional increase of \$200 (to \$5,550) for subsequent years (representing an increase of 37 percent since 2006). Moreover, an additional \$13.8 billion is aimed at funding a tuition tax credit of up to \$2,500 for middle class families.

President Obama also issued the Administration's \$3.55 trillion FY2010 budget that established funding levels for the Department of Education, including mandates that all new government-backed student loans originate in the Federal Direct Loan Program under the Office of Management and Budget (OMB). This action would effectively end the Federal Family Education Loan Program (FFELP) that provides a variety of subsidies and guarantees for financial institutions that lend to students. By eliminating the FFELP program, banks would continue to service loans with fewer subsidies and guarantees, resulting in less profit and more competitively priced loans. While this change is a significant setback for traditional student lenders (e.g., Sallie Mae, Nelnet, Student Loan Corp.), we do not believe that it will have a direct negative impact on career colleges. Additionally, the proposed budget increases the Perkins Loan Program from \$1.1 billion to \$6.0 billion, dramatically increasing the amount of low-interest loans that are available for needy students.

As a result of the ARRA and the potential elimination of FFELP, some career colleges are having difficulty managing 90/10 ratios due to the increase in Federally subsidized funding and the decrease in available alternative funding options. This has forced some career colleges to raise tuition levels in order to mitigate this issue or to develop a more significant portfolio of corporate training, non-Title IV programs and trade programs that have a significant service base that can be counted as revenues.

All in all, the ARRA and 2010 budget provisions are a double edged sword for many career colleges. Increased tuition levels and the inability to manage 90/10 ratios, create a lower demand for some types of programs. However, the increased investment in education and the strong desire by Congress to make education (including vocational-based programs) more affordable will drive growth in the career college sector. In order to capitalize on this growth, career colleges must focus on those programs that provide a high return on investment (ROI) for potential graduates, which will primarily revolve around post-graduate salary levels and job placement rates.

Occupational Growth

While the fastest growing occupations are often the focus for those following the PSE market, it is also important to highlight the occupations that are expected to see the largest numerical job growth in the years ahead. Clearly, as career colleges and investors develop their market strategies, both the rate of growth and the size of the opportunity will be of critical importance. In addition, salary levels of the various occupations will potentially play a role in influencing the tuition rates for certain programs and therefore may have an impact on the profitability of these programs. The table below summarizes these important factors for the top 20 occupations as measured by the projected numerical change in employment for each category between 2006 and 2016.

Occupation	Numerical Change 2006-2016	Percentage Change 2006-2016	Median Salary (2006)
Registered Nurses	587,349	23.5%	\$ 65,130
Community and social services occupations	541,221	22.7%	\$ 38,220
General management	533,052	6.1%	\$ 99,280
Health technologists and technicians	482,253	18.5%	\$ 37,950
Financial clerks	475,589	11.9%	\$ 32,510
Personal and home care aides	388,102	50.6%	\$ 18,180
Postsecondary teachers	382,248	22.9%	\$ 61,360
Computer software engineers	324,390	37.9%	\$ 82,000
Nursing aides, orderlies, and attendants	263,643	18.2%	\$ 23,850
Truck drivers, heavy and tractor-trailer	258,000	7.7%	\$ 38,720
Elementary school teachers	209,173	13.6%	\$ 49,330
Engineers	159,760	10.6%	\$ 60,410
Carpenters	150,000	10.3%	\$ 38,940
Medical assistants	147,675	35.4%	\$ 26,290
Computer systems analysts	145,940	29.0%	\$ 72,230
Preschool and kindergarten teachers	142,662	23.5%	\$ 23,870
Network systems and data communications analyst	139,834	53.4%	\$ 67,460
Automotive technicians and repairers	136,004	13.9%	\$ 35,100
Cosmetologists and estheticians	116,830	14.2%	\$ 23,140
Chefs and food preparation supervisors	101,087	10.9%	\$ 28,970

Source: Capstone Research, BLS Occupational Outlook Handbook and Career Guide to Industries. (2006)

Note: Excludes retail, religious, general construction and janitorial positions

Clearly, there are many occupations that are projected to have relatively lower rates of growth but that still represent large opportunities from a market size perspective. Based on Capstone's experience in the PSE market, we know that many of these top 20 occupations represent attractive areas of focus for leading PSE schools, including registered nurses, general managers, health technologists and technicians, truck drivers, educators (pre-school, kindergarten and post-secondary), computer analysts and engineers, automotive technicians, cosmetologists and estheticians. Although these markets are somewhat competitive, schools that focus on these large market opportunities will enjoy a sustained level of market demand for years to come.

Growth in the Distance Learning Segment

Although the physical, campus-based education delivery model continues to grow, online distance learning options are growing at a much faster rate. In fact, the Sloan Consortium estimates that the online education market will grow at 13 percent annually, compared to a 9 percent annual rate for the overall for-profit PSE market. Online solutions offer a variety of advantages over the traditional approach, including:

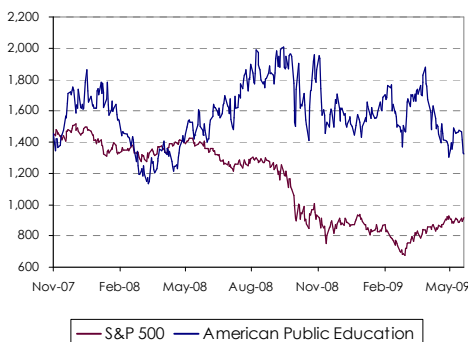
- ▶ **Greater Student Flexibility** – Students can tap into these resources from anywhere in the world often in an asynchronous manner, allowing them to take classes, complete homework, engage in study groups, converse with professors and take exams at their convenience.
- ▶ **More Efficient Resource Usage** – The programs delivered by school faculty can reach a larger number of students, and the web-based model encourages “one-to-one” student-teacher interaction via email and discussion board communications rather than during limited “office hours.” In addition, many of the quizzes and examinations are graded instantly, which allows professors to focus on other more value-added areas of teaching rather than administrative work.
- ▶ **Advanced Tracking & Measurement** – The web architecture allows professors to more closely and accurately track student participation and performance. This creates opportunities for corrective action to take place earlier in a course, enhancing the student experience.

One of the principal concerns of the online learning model has been the efficacy of this approach relative to traditional classroom-based models. However, recent studies have indicated that learning outcomes (measured by standardized test scores) were almost identical for the two teaching approaches. These results, combined with the market demand for these services, have fueled considerable interest in this segment among investors and larger strategic players that are interested in adding an online component or augmenting existing online programs.

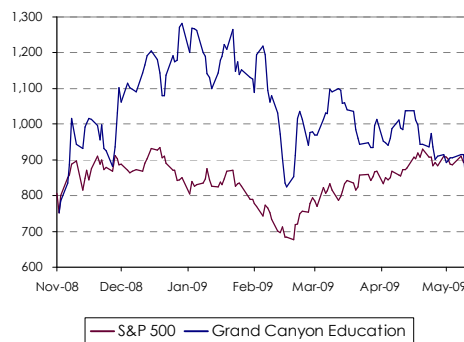
Public Markets Support

The public markets have also shown considerable support for the distance learning model given the successful initial public offerings (IPO) of American Public University (NasdaqGS: APEI) and Grand Canyon University (NasdaqGM: LOPE) in 2008, and the recent IPO of Bridgepoint Education, Inc. (NYSE: BPI). Education Management Corporation is also expected to initiate a public offering sometime this year. All four of these PSE companies have a significant online offering that has driven much of their recent growth. The three completed IPOs represented strong liquidity events for the investors, drawing renewed interest from the investment community in the PSE sector.

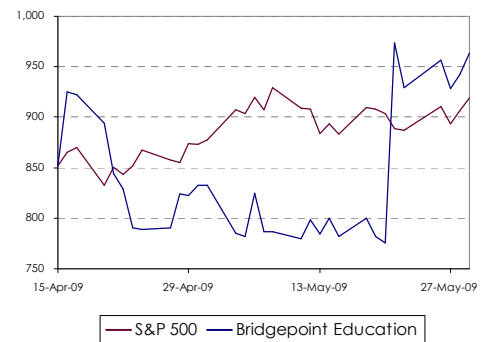
APEI Performance



LOPE Performance



BPI Performance



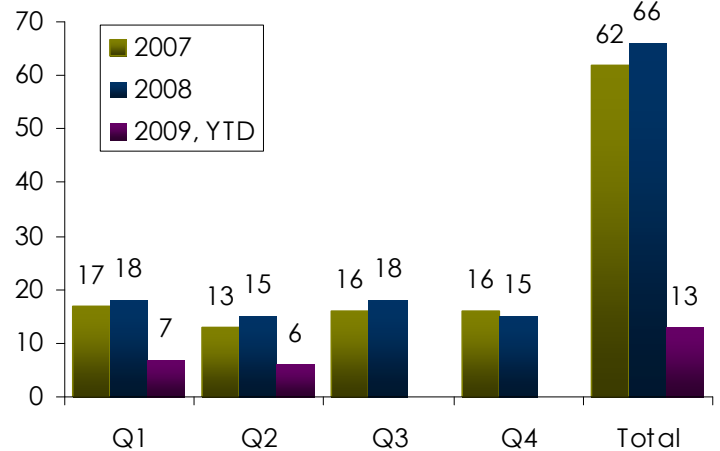
Source: Capital IQ, Capstone Research, as of May 29, 2009

M&A Activity

Merger & acquisition activity in the PSE market was consistently strong throughout 2007 and 2008 with an estimated 128 deals reported during those two years. Not surprisingly, however, activity in 2009 has been significantly lower. Publicly available data indicates that only seven significant transactions occurred in the first quarter of 2009, which is likely due in large part to economic and political uncertainty.

Capstone expects that M&A activity in the PSE market will begin to pick up in the second half of 2009 as the credit markets and domestic macroeconomic conditions stabilize, and as larger strategic players and financial buyers gain the confidence to shop for potentially valuable acquisition opportunities.

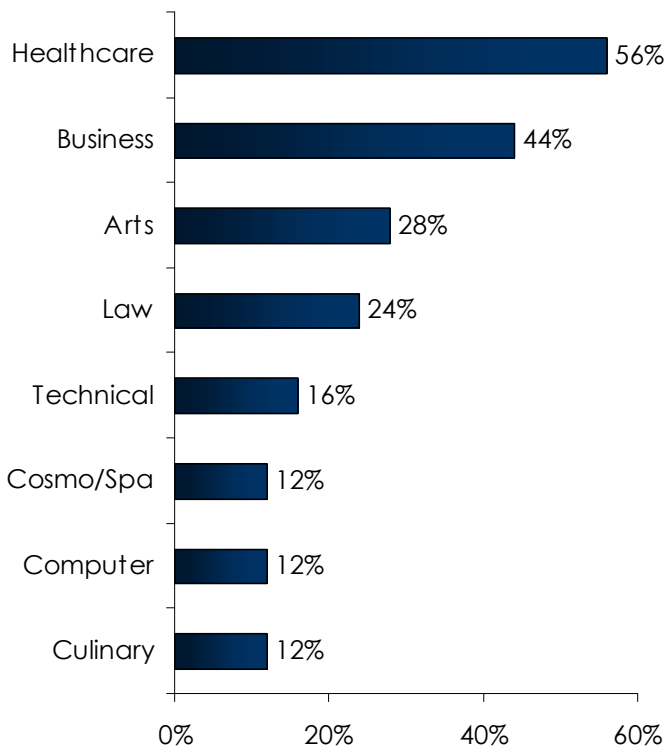
PSE Transactions by Quarter



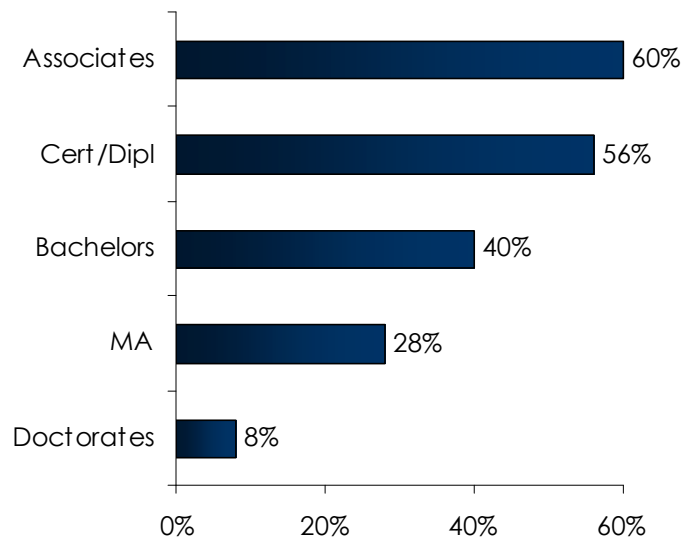
Source: Capital IQ, Capstone Research
 YTD = year-to-date through 6/1/09
 Q2 volume reflects transactions announced or closed up until 6/1/09

Acquisitions for the last twelve months had a strong focus on schools offering programs in the healthcare and business programs and those schools that awarded diplomas, certificates and associates degrees. The charts below summarize the percent of transactions where the target school offered various programs or awarded certain degrees. The percentages do not add up to 100% as many transactions included schools that offered courses in several program areas and awarded a variety of degree types.

Percentage of Deals by Program



Percentage of Deals by Degree



Source: Capstone Research; Capital IQ
 Includes all reported PSE deals announced or closed between May 2008 and June 2009

Strategic Acquisitions

Despite the market conditions, there were several notable strategic acquisitions. Based on Capstone's research, these transactions were focused on expanding program offerings, penetrating new geographic markets and adding online capabilities.

ITT Educational Services acquired Daniel Webster College – In April 2009, ITT acquired Daniel Webster College, a regionally accredited college that offers associates, bachelors and masters degrees in professional and technology-based programs of study. These program areas include business and management, social sciences, engineering, computer science and homeland security. The school has a traditional classroom-based model as well as an online offering. Daniel Webster College was previously operated as a non-profit institution before its sale to ITT. The terms of the deal were not disclosed.

Lincoln Educational Services Corp made several strategic acquisitions –

- ▶ In December 2008, Lincoln purchased Briarwood College, a regionally accredited school offering bachelors degree programs and 31 associates degree programs to roughly 700 students. According to Dave Carney, Chairman and CEO of Lincoln, "Briarwood supports our strategy by offering additional degree programs which will broaden our addressable market, expand our offering of high-end healthcare programs such as dental hygiene and nuclear medicine and strengthen our online initiative with the addition of regionally accredited programs." The purchase price for this deal was approximately \$11.2 million, representing a transaction multiple of 1.2x 2008 revenues of roughly \$9.2 million.
- ▶ In January 2009, Lincoln purchased Baran Institute of Technology, a group of five distinct schools serving around 1,900 students and offering associate and diploma programs in the fields of automotive, skilled trades, health sciences and culinary arts. Lincoln closed on the acquisition of four of the schools in January for \$25.3 million, including Baran Institute of Technology, Connecticut Culinary Institute, Americare School of Nursing and Engine City Technical Institute. Lincoln closed on the fifth school, Clemens College, for an additional \$2.8 million, in April 2009 (after receiving approval from the New England Association of Schools and Colleges). Lincoln said it expects that all five schools will contribute around \$50 million to revenues in 2009, representing an estimated valuation multiple of approximately 0.6x revenue.

Kaplan Continuing Education acquired National Paramedic Institute, Inc. (NPI) – In November 2008, Kaplan Continuing Education acquired NPI, a provider of online continuing education to firefighters and emergency services personnel. NPI offers a series of case-based courses that include situational videos that meet national continuing education standards for fire and emergency service personnel. NPI courses are accredited by the Continuing Education Coordinating Board for Emergency Medical Services (CECBEMS) and meet National Registry requirements. According to Ronald Trautman, President of Kaplan Continuing Education, "the NPI acquisition is the next step in our commitment to becoming the premiere provider of web-based, career education and training for professionals." NPI was founded in Boynton Beach, FL, in 2002 by Steven Katz, MD, an emergency physician, who will join KCE as its Chief Medical Officer. The deal terms were not disclosed.

Private Equity Investments

The private equity community has also been active in the PSE sector, as leading investment firms have made initial platform acquisitions and others augment existing investments by buying complementary schools. These investors are especially attracted to the long-term growth prospects for this sector - driven by fundamental trends in U.S. and international markets – and many recent successful exits, including several high-profile initial public offerings. Notable recent private equity transactions include:

EduK Group purchased Florida Technical College – In April 2009, EduK Group, a portfolio company of Leeds Equity Partners, acquired Florida Technical College (FTC), a for-profit college that offers associate degrees and diploma programs in several high growth occupations, including medical assistant, business, paralegal studies, medical administrative assistant, network administration, programming, and computer drafting and design. The FTC acquisition represented an extension of EduK's strategy to expand further into three critical Hispanic locations in Florida. FTC was part of ForeFront Education prior to this transaction. The terms of the deal were not disclosed.

Excellere Partners acquired Javelin Technical Training – In March 2009, Excellere acquired Javelin Technical Training, a for-profit school that offers career training and certification focused on a variety of allied health-related occupations with three campuses in located in the Atlanta market. The acquisition represents a platform investment for Excellere and the firm is aggressively seeking acquisition opportunities to expand into new geographies and programs areas. The terms of the deal were not disclosed.

Rockbridge Growth Equity acquired Northcentral University – In January 2009, Rockbridge Growth Equity acquired Northcentral University (NCU), an accredited online university with both undergraduate and graduate programs in business and technology management, education and psychology. Rockbridge partnered with Falcon Investment Advisors to finance this acquisition. Founded in 1996 by Dr. Donald Hecht, NCU is currently educating more than 7,500 students through online programs and has grown revenues at an average annual growth rate of 47 percent since 2005. This deal represents a platform investment for Rockbridge. The terms of the deal were not disclosed.

Quad Partners acquired Pacific College of Oriental Medicine – In December 2008, Quad Partners acquired Pacific College of Oriental Medicine (PCOM), a national leader in providing allied health doctorate, masters, bachelors, associates and certification programs with a focus on oriental medicine, acupuncture and message therapy. PCOM was founded in 1986 and is headquartered in San Diego with campuses in New York and Chicago. Over the past five years, PCOM has educated over 3,000 students nationwide and currently serves a student body of roughly 1,500 students. In addition to providing education programs, PCOM also operates the Pacific Symposium, the industry's top academic conference and tradeshow which involves leading professionals in oriental and holistic medicine from around the world. The terms of the deal were not disclosed. Capstone Partners served as the exclusive financial advisor to PCOM in this transaction.

Summer Street Capital purchased Tulsa Welding School – In October 2008, Summer Street Capital Partners acquired Tulsa Welding School, the largest accredited private welding school in the United States. Its graduates are taking advantage of the shortage of welders in the U.S. with an average placement rate of 94 percent and starting salaries averaging in excess of \$46,000. This transaction is Summer Street's first investment in the PSE industry. HSBC Capital and incoming management also contributed equity in this deal. The terms were not disclosed.

Selected PSE M&A Transactions

Date	Target	Acquiror	Target Business Description	Transaction Value (mm)	TV / LTM	
					Revenue	EBITDA
5/20/09	Americas Best Real Estate Education Corporation	360Training.com	Provides personalized distance education courses for the real estate, appraisal, and property management profession in the United States	--	--	--
4/23/09	Daniel Webster College	ITT Educational Services Inc.	A regionally accredited college that offers associates, bachelors and masters degrees in professional and technology-based programs of study	--	--	--
4/20/09	Clemens College	Lincoln Technical Institute, Inc.	A private college offering accelerated Associate of Science degrees in hospitality management and culinary arts management	\$2.8	--	--
4/3/09	Florida Technical College	EduK Group	A private, two-year junior college with four campuses in Florida that offers programs in healthcare, computers and programming, design and business	--	--	--
3/13/09	Morrison University	TCI Education, Inc.	An accredited institution that offers degrees in business administration, accounting, management and computer science	--	--	--
3/2/09	Javelin Learning Systems, Inc. (dba Javelin Technical Training)	Excellere Partners	A for-profit school that offers career training and certification focused on a variety of allied health-related occupations	--	--	--
1/22/09	Baran Institute of Technology	Lincoln Educational Services Corporation	Comprises five distinct schools serving approximately 1,900 students and offers associate and diploma programs in the fields of automotive, skilled trades, health sciences and culinary arts	\$25.3	0.6x	--
1/6/09	Northcentral University	Rockbridge Growth Equity	An accredited online university providing graduate and undergraduate degree programs in business and technology management, education, and psychology	--	--	--
12/18/08	Kansas School Of Cosmetology	Paul Mitchell The School - Wichita	Offers courses in hairstyling, skin care and nail care	--	--	--
12/5/08	Pacific College	Quad Ventures	Offers doctorate, masters, bachelors and associates degrees and certification and diploma programs in the various disciplines of medicine and massage	CF	CF	CF
12/5/08	American University of Antigua	Manipal Education and Medical Group International	Currently serving over 1,000 students, the company, located in the caribbean, offers degrees in medicine and nursing	--	--	--
12/1/08	Brianwood College, Inc.	Lincoln Educational Services Corporation	Offers two bachelor's degree programs and 31 associate's degree programs to approximately 700 students	\$11.4	1.2x	--
11/17/08	National Paramedic Institute, Inc.	Kaplan Continuing Education	Provides online education for firefighters, first responders, paramedics, and healthcare and emergency medical services professionals	--	--	--
10/15/08	Medical Transcription Education Center, Inc.	Webmedx, Inc.	Provides medical transcription education programs, including apprenticeship, home-study, professional development and continuing education, and distance education	--	--	--
10/3/08	INTI Universal Holdings Bhd (48.81% stake)	Laureate Education Inc.	Manages college for higher education and the provision of corporate training and advisory services to adults and other professionals	\$35.8	1.8x	11.5x
9/30/08	Tulsa Welding School	HSBC Capital; Summer Street Capital Partners	An educational institution that prepares students for welding and inspection careers in a multitude of welding specialties and applications	--	--	--
9/18/08	U.S. Education	DeVry, Inc.	Operates private career colleges and schools that focus on career-oriented IT and health care training	\$290.0	2.0x	--
8/25/08	INTI Universal Holdings Bhd (51.19% stake)	Laureate Education, Inc.	Engages in managing colleges for higher education and the provision of corporate training and advisory services to adults and other professionals	\$44.5	2.5x	15.1x
8/1/08	Platt College Inc.	Callius Capital Management; Anova Capital Management	Private college that offers certificates and associate's degrees in graphic design, information technology and paralegal	--	--	--
7/16/08	Kendall College	Laureate Education, Inc.	Offers degrees in business, early childhood education, culinary and hospitality	--	--	--
7/11/08*	Western State University College of Law	Knowledge Investment Partners	Offers full and part-time programs of legal study including criminal law practice center and externship programs	--	--	--
7/8/08	NewSchool of Architecture and Design	Laureate Education, Inc.	Offers both a Bachelors and a Masters degree in architecture	--	--	--
6/30/08	International Academy Of Design & Technology Toronto	RCC Institute of Technology	Offers career education programs in design, art and technology; Formerly a subsidiary of Career Education Corp.	--	--	--
6/9/08	Ponce Paramedical College	EduK Group	A paramedical college based in Puerto Rico that offers certificates and associate's degrees	--	--	--
5/19/08	Myers University	Significant Ventures	Offers degrees with certificate programs and online courses in a variety of programs, including criminal justice, business, and health services management	\$18.3	--	--
5/10/08	Estacio Participacoes SA	Moena Participacoes SA	Offers degrees in law, business administration, and communications, as well as education programs in engineering and technology, life and health sciences, and social sciences	\$766.8	1.5x	15.1x
4/28/08	Potomac College	Hamilton White Group, LLC	An accredited college offering more than 40 degree specializations that are tailored to a working population driven to seek the training necessary to reach the next career level	--	--	--
4/1/08	Universidad de Artes, Ciencias y Comunicacion	Apollo Group	Accredited private arts and communications university	\$44.0	--	--
3/6/08	Corinthian Colleges (12 Canadian Schools)	The Eminata Group	Offers diploma programs and degrees in a variety of high-demand occupational areas, including healthcare, business, criminal justice, and information technology	\$3.0	--	--
2/1/08	Bryant & Stratton College	Parthenon Capital	Degree-granting career college that operates through 15 physical campuses and an online segment	--	--	--
12/17/07	Sprott-Shaw College Of Business Ltd.	CIBT Education Group Inc.	Offers occupational training in the areas of business, hospitality, travel and tourism, health care and computers at its twenty campuses	\$11.9	0.4x	4.0x
11/1/07	Touro University International (Touro College)	Summit Partners	Provides online post-secondary education in business administration, health sciences, education, and information systems, primarily to working adults and members of the U.S. military	\$190.0	--	--
10/31/07	Advanced Academics, Inc.	Devry, Inc.	Offers advanced and college preparatory curriculum online, including regular semester offerings, electives, health education, foreign languages, language arts, and mathematics	\$27.5	--	--
10/9/07	The Porter & Chester Institute, Inc.	Thoma Cressey Bravo	Provides technical, business and health related occupational preparation programs, including CAD, electronics technician, medical assisting and dental assisting	--	--	--
9/10/07	Heald College	Private Equity Group	Offers a broad curriculum of degree, diploma and certificate opportunities in business administration, information and networking technology, and allied healthcare	CF	CF	CF
8/1/07	Regis Corp. 51 Cosmetology Schools	Empire Beauty School Inc.	Regis Corp merged its 51 accredited cosmetology schools with Empire Beauty Schools, Inc.'s 37 accredited cosmetology schools, creating a new company called Empire Education Group	--	--	--
7/19/07	Laureate Education, Inc.	A consortium of PE firms	Provides higher education programs and services to students through a network of campus-based and online universities, and higher education institutions worldwide	\$3,912.4	3.3x	18.1x
6/8/07	Florida Career College	Greenhill Capital Partners, Abrams Capital	Provides training and testing services in the fields of allied health and information technology	--	--	--
2/9/07	South Texas Vocational Technical Institute	ATI Enterprises, Inc.	Offers undergraduate and higher education in areas such as administration, massage therapy, child care development and computer accounting	--	--	--
1/2/07	Rockport College & The Workshops	Non-Profit Educational Corp.	Provides education and training for photographers, cinematographers, directors, actors, documentary producers, screen writers, editors and digital media technicians	CF	CF	CF

Source: Capstone Research; Capital IQ

TV = transaction value; LTM = last twelve months; CF-Confidential information

Mean	1.5x	11.2x
Median	1.5x	11.5x
Harmonic Mean	0.9x	8.7x

Public Company Trading & Operating Data

Company	Price 5/29/09	% 52 Wk High	Market Cap	Enterprise Value	LTM			1-Yr Rev Growth	EV / LTM	
					Revenue	EBITDA	Margin		Revenue	EBITDA
American Public Education, Inc.	\$32.67	61.4%	\$ 593.1	\$ 540.1	\$ 117.1	\$ 33.6	28.7%	49.6%	4.6x	16.1x
Apollo Group Inc.	\$59.10	65.7%	9,504.8	8,630.5	3,513.7	1,022.5	29.1%	20.3%	2.5x	8.4x
Bridgepoint Education, Inc.	\$12.55	91.7%	666.9	615.9	263.6	51.1	19.4%	N/A	2.3x	12.0x
Capella Education Co.	\$52.19	78.1%	872.1	726.4	283.5	58.0	20.5%	18.8%	2.6x	12.5x
Career Education Corp.	\$20.08	75.7%	1,808.4	1,310.7	1,690.9	176.1	10.4%	(3.2)%	0.8x	7.4x
Corinthian Colleges Inc.	\$15.38	70.8%	1,338.1	1,246.9	1,228.3	142.1	11.6%	20.9%	1.0x	8.8x
DeVry, Inc.	\$43.57	67.4%	3,112.7	2,951.1	1,342.0	262.2	19.5%	28.1%	2.2x	11.3x
Grand Canyon Education, Inc.	\$13.56	65.2%	616.8	582.8	184.6	24.5	13.3%	63.3%	3.2x	23.7x
ITT Educational Services Inc.	\$91.79	68.6%	3,517.9	3,302.2	1,068.5	380.0	35.6%	18.7%	3.1x	8.7x
Lincoln Educational Services Corporation	\$18.44	90.4%	493.4	526.3	411.5	65.5	15.9%	22.6%	1.3x	8.0x
Strayer Education Inc.	\$184.27	76.8%	2,582.4	2,498.3	423.7	150.4	35.5%	26.5%	5.9x	16.6x
Universal Technical Institute Inc.	\$13.91	69.7%	328.2	258.8	344.5	20.8	6.0%	(1.7)%	0.8x	12.4x
Mean		73.4%	\$2,119.6	\$1,932.5	\$906.0	\$198.9	20.5%	29.9%	2.5x	12.2x
Median		70.2%	\$1,105.1	\$986.7	\$417.6	\$103.8	19.5%	22.6%	2.4x	11.7x
Harmonic Mean		72.4%	\$893.8	\$797.1	\$371.0	\$60.8	15.7%	25.2%	1.7x	10.9x

Source: Capstone Research; Capital IQ

EV = enterprise value

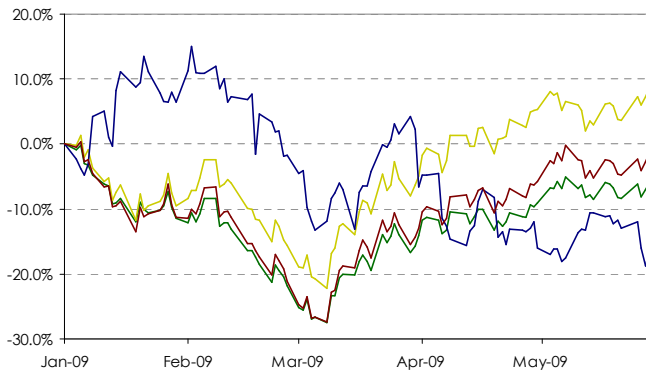
LTM = last twelve months

Public Company Analysis

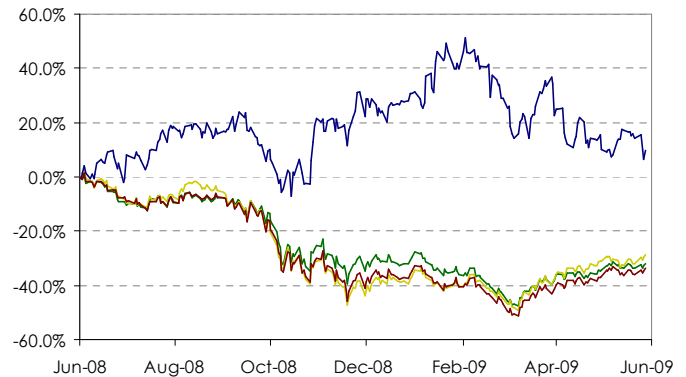
- ▶ Average revenue growth for the PSE Index was 29.9 percent, significantly higher than last year's average revenue growth of 11.8 percent for this group. Career Education Corporation and Universal Technical Institute were the only two players in the Capstone PSE Index to experience revenue declines over the last twelve months. All other schools experienced double-digit revenue growth. Not surprisingly, the recent public market entrants (including American Public Education and Grand Canyon Education) reported the largest revenue increases with 49.6 percent and 63.3 percent growth, respectively. Overall, the trouble in the student financing market does not appear to have had a significant negative impact on these leading educational institutions.
- ▶ The average EBITDA margin for the index has increased slightly from this time last year, rising from 19.1 percent to 20.5 percent. Apollo Group, Capella Education, Corinthian Colleges, DeVry, ITT, Lincoln and Strayer all reported EBITDA margin gains, while Career Education and Universal Technical Institute suffered from EBITDA margin declines. Both of the schools reporting declines in EBITDA margins also experienced revenue declines over this period and have faced challenges in growing their business for several years now. The addition of American Public and Bridgepoint has also positively impacted average EBITDA margins for the PSE Index (20.7 percent and 19.4 percent, respectively), while Grand Canyon has yet to achieve above average EBITDA margins.
- ▶ Valuation multiples continue to be strong in the PSE segment relative to other market indices, with average multiples of 2.5x LTM revenue and 12.2x LTM EBITDA. These multiples have declined somewhat since this time last year when average multiples for this segment were around 2.7x LTM revenue and 13.1x LTM EBITDA.

The Capstone PSE Index

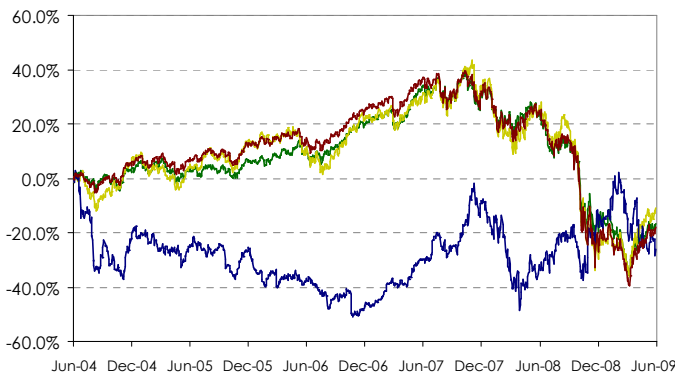
Year-to-Date



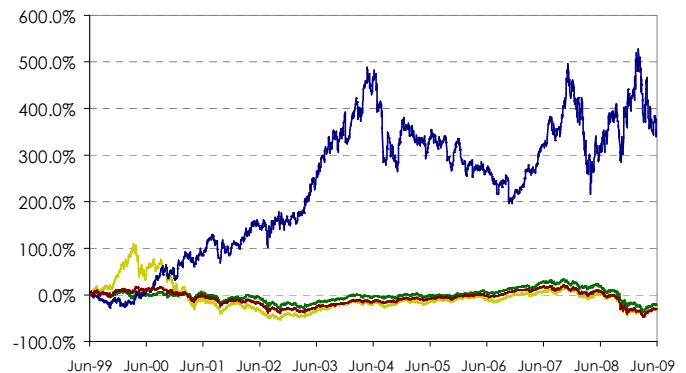
1-Year



5-Year



10-Year



— Capstone PSE Index
 — S&P 500 Index

— NASDAQ Composite Index
 — Dow Jones Composite Average Index

Source: Capital IQ, as of May 29, 2009

Market Outlook

- ▶ The Capstone PSE Index has outperformed the NASDAQ, S&P500 and Dow Jones indices over the 1-year and 10-year time horizons, but has generally lagged these indices for the 5-year and year-to-date periods. The 5-year time horizon included a significant economic boom in the United States, which generally produces downward pressure on expectations for enrollment growth in PSE institutions and may have impacted stock performance over this period.
- ▶ The stock performance in 2009 has largely been influenced by credit market concerns and a general “wait and see” approach related to the new administration’s education policy.
- ▶ Improving employment statistics in the last few months may have also had a negative impact on stock performance for this sector as investors fear an impending worsening of the enrollment environment.



Capstone Partners

Investment Banking Advisors

LEADERSHIP IN POST-SECONDARY EDUCATION MERGERS & AQUISITIONS



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Representative PSE Transactions

 has been acquired by QUAD PARTNERS	 has been acquired by A PRIVATE EQUITY INVESTOR GROUP	 has been acquired by REGIS	 has recapitalized with 	 has recapitalized with
 has been acquired by REGIS	 has been acquired by A NON-PROFIT EDUCATION CORPORATION	 has been acquired by 	 has been acquired by REGIS	 valuation and board advisory COLLEGE PAYWAY HOLDINGS, LLC

About Capstone Partners LLC

Capstone Partners LLC is a leading national investment banking advisory firm dedicated to serving the transaction needs of middle-market companies. The firm provides corporate sale & divestiture, merger & acquisition and private placement advisory services. Capstone's Post-Secondary Education Group has become known as one of the most active and successful teams in the market. In addition, the firm maintains ongoing proprietary research and relationship coverage across the education and training industries.



Post-Secondary Education

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Post-Secondary Education

The Capstone Education Team

WORLD CLASS WALL STREET EXPERTISE – BUILT FOR THE MIDDLE MARKET



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John Ferrara, the founder and principal shareholder of Capstone, serves as the firm's President and Managing Partner. He also heads up the Post-Secondary Education industry practice. John was formerly a Regional Managing Partner with Andersen Corporate Finance, where he founded the Boston office and held various national and global leadership positions. He started his career in Lehman's Brothers' M&A group in New York, London and Riyadh, later becoming a founding member of Rodman & Renshaw's M&A practice in New York. After a break to compete in Australia's semi-professional baseball league, John joined The Deloitte Consulting Group in Los Angeles. While with Deloitte, he focused on turnaround and interim management engagements. He earned an MBA in Entrepreneurial Studies from The Anderson School at UCLA and the London School of Economics, during which time he founded and operated a corporate finance advisory boutique, JG Atlas Advisors, and its related investment arm, Atlantis Capital Partners. He holds dual BA degrees from Wesleyan University and is qualified as a General Securities Principal.



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Jacob is a founding member of Capstone Partners as well as the firm's Post-Secondary Education Group. He focuses on asset positioning, strategy articulation, due diligence and negotiations coordination. Formerly, Jacob was with Andersen Corporate Finance LLC, where he focused his efforts on the software and direct marketing industries. He started his career in New York City with Rabobank International, a multi-national Dutch investment bank headquartered in Utrecht, the Netherlands. While at Rabobank International, Jacob worked in the mergers and acquisitions group focusing on cross-border transactions in the consumer products, food and beverage industries. Jacob holds dual BS degrees from Cornell University and is qualified as a General Securities Representative.



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John is responsible for market coverage and research intelligence with Capstone's PSE industry group. He has over eight years of business strategy consulting, private equity and investment banking experience. Prior to joining the firm, John worked at Castle Island Partners. John also served in the Consulting and New Business Development group at Fidelity Investments where he worked with senior managers throughout the company to develop comprehensive growth strategies. Prior to Fidelity Investments, he worked at Braun Consulting, advising senior executives in Fortune 100 companies on a broad range of strategic issues. John holds a BA in Economics from Carleton College and an MBA in Finance and Entrepreneurship from the F.W. Olin Graduate School of Business at Babson College.



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Sophea works closely with senior team members while executing a variety of corporate finance transactions and supporting business development initiatives within the Business Services group. Prior to joining Capstone, Sophea was an analyst at FTN Midwest Securities, a full-service investment banking firm based in Cleveland. While working in their New York office, she focused on M&A advisory for middle-market companies in a variety of industries, including healthcare, pharmaceutical services and marketing & advertising. Her responsibilities included providing financial and valuation analysis, performing due diligence, and drafting all marketing materials related to a wide range of M&A transactions. Sophea holds a Bachelor of Arts in Economics from Columbia University.



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